

Influence of Entrepreneurship Orientation on Business Performance of Broiler Husbandry in The Partnership and The Independent Scheme in Bogor

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ABSTRACT

The purpose of this research are: (1) to analyze the dimensions that construct the entrepreneurship orientation of broiler husbandry entrepreneur in partnership and independent scheme, (2) to analyze the influence of entrepreneurship orientation on business performance of broiler husbandry in the partnership and the independent scheme. This research was conducted in March-May 2017, employed 30 respondent farmers on each partnership and independent scheme. Structural-Partial Least Square Equation Modeling (SEM-PLS) was employed for quantitative analysis. The results of this study indicated that the dimension of entrepreneurship that can be observed from the business actors of broiler husbandry in the independent scheme at the Bogor Regency was innovative, proactive, risk-taking, autonomy and competitive aggressiveness. While in the partnership scheme there was no observable orientation dimension. The partnership scheme showed a negative and insignificant influence of entrepreneurship orientation to business performance, whereas the independent scheme showed a positive and significant influence of the entrepreneurship orientation to the business performance.

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Keywords:

PLS; entrepreneurship orientation; partnership and independent scheme

1. Introduction

The entrepreneurship issue is an important issue in terms of building a nation's economy. Entrepreneurship is the main factor that affects the economic growth by providing employment, increasing competition and welfare. According to Casson *et al.* (2008), if a country has many entrepreneurs, then the country has high economic growth, which will bring the country to high economic development. The success of an entrepreneur can be observed from their business performance achievement. If the business performance is good then the business will grow well. Therefore, business with good performance is usually influenced by a good entrepreneurial orientation.

This was in line with Rauch *et al.* (2009) which states that businesses that adopt an entrepreneurial orientation performed better than businesses that did not adopt an entrepreneurial orientation. Therefore, running a business needs a good entre-

preneurial orientation. In Indonesia, the livestock sector is one of the business sectors that had a rapid development in various districts/cities. The livestock sector ranging from upstream to downstream and absorbed a lot of labor as well as provided a very positive impact on the welfare of the people of Indonesia.

The result of Ni Nyoman *et al.* (2016) research show that leadership has a positive and significant influence on the performance of an organization. In another study revealed that of Frese *et al.* (2002) research show that entrepreneurship orientation is the key to improving company performance. Companies that have entrepreneur oriented leaders have a clear and courageous vision to face risk so as to create better business performance.

One of well-developed livestock business in the community is broiler husbandry. Based on data from (DG PKE 2017), the number of broiler population in Indonesia in 2016 was 1,039,669,402 chickens. From the 34 provinces in Indonesia, Western Java Province had the largest population of broiler chickens in a total of 120.393.653 chickens. Western Java Province had 18 districts and cities that became the center of broiler chickens husbandry and the largest production was from Bogor district with the total population in 2016 amounted to 19,962,875. This high production indicated that the market demand for broiler meat is quite large.

BPS data of Bogor Regency from 2016 showed that the production of broiler chicken meat was higher than other fresh meat production. This happened because people were more interested in broiler livestock since the cultivation process was shorter than cattle, buffalo, sheep and goats whose also produced fresh meat. Therefore the high market demand was an opportunity for entrepreneurs to provide supply to fulfill the market demand. If this opportunity can be handled properly, it can provide a positive contribution to the improvement of the regional economy.

In Bogor district, there were two schemes of chicken husbandry business that have been applied in communities, that is partnerships scheme and independent scheme. In the partnership scheme, there was a core company whose provided materials like Production facility, Technical Guidance, Management, and also provided marketing channels of the product. The independent scheme of broiler husbandry was fully borne by the breeder. Which means, all the capital needed was handled by the farmers themselves. In the implementation, there were some obstacles that are often faced by independent farmers such as DOC and feed prices fluctuation and the selling prices fluctuation that caused the independent farmers became more vulnerable to the impact of economic crisis.

The data of the Fishery and Livestock Department shows that broiler husbandry in this Bogor district were dominated by the partnership farmers which tend to increase every year. The independent farmers tend to decrease every year. This phenomenon indicated that there was instability in the performance of the livestock business. Covin and Slevin (1991), Wiklund and Shepherd (2005) explained that to improve business performance took an entrepreneurial orientation. According to Miller (1982) Lumpkin and Desk (2001), the entrepreneurial orientation is well-applied if the business has the nature or dimension of innovation, risk-taking, proactive, and autonomy. These dimension are essential to survive and win the market.

This entrepreneurial mindset was strongly attached to SMEs in Indonesia. Therefore, the SMEs tend to be very creative looking for existing market opportunities that make them can continue to survive in various conditions. Thus, it can be concluded that

SMEs that can survive in the business competition have an entrepreneurial orientation such as pro-activeness or the ability to quickly respond to threats and took the advantage of the opportunities that available in the market. Then, dare to take risks on business opportunities and also continue to innovate. Based on the description, the purpose of this study are (1) to analyze the dimensions that shape the entrepreneurial orientation of broiler husbandry, (2) to analyze the effect of entrepreneurship orientation on the performance of the partnership scheme and the individual scheme.

2. Methods

2.1. Research Site

This research was conducted in Bogor Regency employing broiler farmer respondents from both the partnership scheme and the independent scheme.

Table 1. Variable laten and manifest

No	Variable laten	Variable indicator	Reverence
1.	Entrepreneurship Orientation (OK)	1 Innovation (OK1) 2 Proaktiveness (OK2) 3 Dare to risk (OK3) 4 Competitive aggressiveness (OK4) 5 Autonomy (OK5)	Covin dan Slevin (1991), Lumpkin dan Dess (1996).
2.	Business Performance (KI)	1 Profit (KI1) 2 Sales (KI2) 3 Cost (KI3) 4 Produktivity (KI4)	Amstrong 2004

The selection of the research location was employing purposive sampling or deliberately based on the consideration that Bogor is the center of broiler chicken husbandry in West Java. The population of broiler in Bogor regency in 2015 was 19.062.875 with the amount of chicken meat produced was 94,865,480 kg. The study was conducted from March 2017 to May 2017 for data collection and analysis.

2.2. Sampling and Data Method

The Sources of data employed in this study included primary and secondary data that were qualitative and quantitative. Primary data obtained by conducting interviews. Directly to farmers of respondents by using questionnaires as guidance. While the secondary data sourced from relevant literature, related institutions, the internet, books, and previous studies as reference materials associated with this research.

The sample determination in this research was performed by using the purposive sampling technique, that was taking 30 farmers who did partnership scheme and 30 independent farmers so that obtained by 60 sample of broiler chicken farmers in Bogor Regency.

2.3. Method for Data Analysis

Partial Least Square (PLS) analysis was recommended to analyze minimum sample size ranges from 30 to 100 Latan and Ghozali (2015). Data analysis was performed descriptively and quantitatively. Descriptive analysis was performed to describe the existing entrepreneurial orientation in independent broiler husbandry businesses in Bogor Regency. Data obtained from the questionnaire was processed using Microsoft

Excel computer software and Smart Partial Least Square 3.0 (PLS). This study provides a prediction or picture of the relationship between constructs that build the model. The variables employed in this research were latent variables and manifest variables.

3. Results and Discussion

3.1. Dimensional Analysis that Shaped the Entrepreneurship Orientation of Broiler Husbandry farmers with PLS

Partial Least Square (PLS) is a method introduced by Herman O.A Wold for the creation and development of models and methods for the social sciences with a prediction-oriented approach. According to Latan and Ghazali (2015).

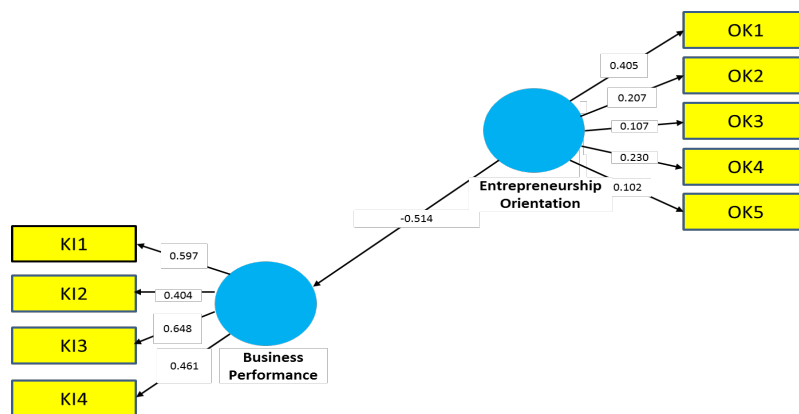


Figure 1. The evaluation of measurement model (loading factor) on broiler husbandry business partnership pattern in Bogor Regency

The PLS is used to determine the complexity of the relationship of a construct with another construct, and the relation of constructs with its indicators to the normal distribution and has a small sample. In the first step, it's performed to evaluate the model. At this stage, it shows how the manifest variable represents the latent variable is measured to ensure that the constructs in the model are in accordance with valid or reliable criteria by looking at the value of loading factor (λ) with standardization of 0.5 (Latan and Ghazali 2015). Here are the dimension measurement models that shape the entrepreneurship orientation of broiler farmers in partnership pattern in figure 1.

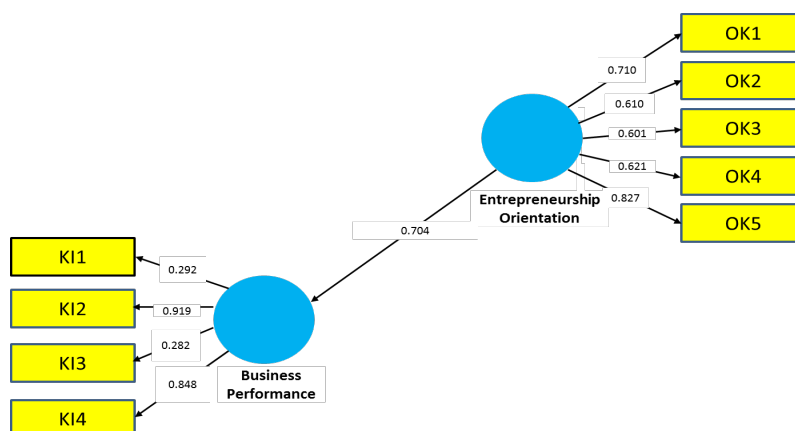


Figure 2. Evaluation of the measurement model (loading factor) on the independent broiler husbandry business in Bogor Regency

3.2. Dimensions That Shaped the Orientation of Entrepreneurship of Broiler Husbandry Farmers in Partnership and Independent scheme

Based on the results of Partial Least Square output and supported by the field observations, the dimensions that shape the entrepreneurial orientation of the independent broiler livestock business actors and partnership patterns consist of innovativeness, proactiveness, risk-taking, competitive aggressiveness, and autonomy.

3.2.1. Innovation

There are some criteria in researches that employed to measure innovation that make the farmers become open to apply new things or new technological innovations. The form of innovation that can be observed based on facts in the field is that the independent farmers were able to create a simple and inexpensive heating tool for DOC aged 1 - 10 days.

Other innovations were in overcoming the symptoms of disease in the broiler husbandry using natural herbs from the plants growing around the environment. The high price of feed can also be handled by mixing corn with finished feed, to reduce production costs. Considering the addition of corn are positively affected the chicken weight, this often done on the independent scheme. Another thing that indicated some innovations was the equipment modification from manual upgraded to automatic. The form of innovation that has been done by broiler husbandry business in Bogor Regency was one of the new things that will maximize profits and give an impact on improving business performance.

Therefore, innovation is one of the dimensions that construct the entrepreneurial orientation of an entrepreneur. The results of this study showed that the value of Loading Factor of innovation in the partnership scheme was 0,40 below the value of the rule of thumb validity of 0.50 while the independent scheme got the loading factor of 0.71 above the value of validity. So it can be concluded that the dimension of innovativeness on entrepreneurship orientation was performed well in the independent scheme.

3.2.2. Proactiveness

The proactive dimension of broiler husbandry business is indicated by several criteria. This dimension makes the farmers always looking for information about market conditions and trying to find opportunities that can be used to outperform their competitors. This research showed that 100 percents of independent farmers were actively seeking information about market conditions such as the price of chicken meat or the price of feed, vaccines, and DOC. While only 10 percents of the farmers who did the partnership scheme thought about these things. This was because the partnership scheme sold the product to the core company and also got the production input from the core company.

Independent farmers were always looking for opportunities that can be used to outperform rivals so that they became more active to build a network to the consumers, wholesalers, or retailers. While in the partnership scheme this was not necessarily performed by the farmers because it is done by the core company. Based on the results of PLS output, the loading factor value of the proactiveness on the independent scheme was 0.61 whereas in the partnership scheme was 0.20. Partnership

score was below the validity of the rule of thumb criterion of 0.50. This indicated that in the dimension of proactiveness was only performed by the independent scheme and this result was in accordance with the dimensions of entrepreneurial orientation by Covin and Slevin (1991) and Rauch *et al.* (2009).

3.2.3. Dare to risks

Dare to take risks is a dimension of the entrepreneurial orientation that can be observed in broiler farmers in Bogor Regency. An effort that has the willingness to take a risky decision is usually influenced by the personal characteristics of the business actor. The risk-taking characteristics are illustrated by three criteria: to take risks in the event of a loss in the broiler's business, to commit to action taken, and to borrow for business capital. In broiler husbandry during the production period between 28 to 40 days, it requires special treatment. Both from the type of food, disease prevention (vaccination and medicines) and during the harvest (distribution).

Some kind of risks often encountered by the farmers are fluctuations in input prices (Day Old Chik, feed, and drugs), fluctuations in output prices, and in terms of maintenance of the emergence of a variety of diseases that often occur. This is often a major obstacle in the business of broiler chickens. The need for knowledge about feed concentration ratio in accordance with the needs of broiler chickens made farmers were very dependent on concentrate feed from the big company. When the purchase price of concentrate ingredients has increased due to rising feed raw materials, farmers will rethink in starting the business.

The concern of farmers if the increase of chicken feed happened without the increase of selling price was the loss of money. Likewise on the price of Medicines (vaccinations and vitamins), although it only contributes about 5% -10% of the total cost, it still became a major consideration for the farmers. Because if there was a vital disease attacked, the cost of treatment will rise. However, independent farmers were very brave to take those risks to get some more incentives. While in the partnership scheme, the risk caused by the fluctuation is rarely experienced by the farmers because of the help from core company that provided a guarantee to the farmers with the consequence of low incentive. In this case, the independent farmers could maximize the sources of profit.

The result of this research showed that the dimension of "dare to risks" could be observed in the farmers who did the independent schemes. In general, farmers or business actors of the independent scheme were identified to be more "dare to take risks" in the business. This was relevant to the statement from Antonic and Hisrich (2003). Based on the results of PLS output, the loading factor value of daring to take risks on the independent scheme was 0.60 and was greater than the validity value of the rule of thumb that is 0.50. While in partnership scheme the loading factor value was 0.10 below the validity value of the rule of thumb 0.50.

3.2.4. Competitive aggressiveness

The dimension of competitive aggressiveness in broiler farmers is indicated by several criteria, such as aggressive attitude to beat competitors, always trying to foster a good relationship with consumers, and trying to expand the reach of marketing area by looking at possible opportunities for the distribution of its products. The results of this research showed that competitive aggressiveness was a dimension of entrepreneurial orientation that can be observed in the independent farmers. This

result based on the PLS result analysis that showed that the value of loading factor in the independent farmers was 0.62 while the partnership farmers showed a value of 0.23 below the value of the rule of thumb validity of 0.50.

This result showed that the influence of competitive aggressiveness on the broiler husbandry business in the independent scheme was greater than the partnership scheme. This was because the production results from the partnership scheme were managed by the core company. The core company also responsible for the marketing process. So the attitude to competitive aggressiveness was not able to be observed from the partnership farmers. In this study, the farmers were identified as having a tendency to act aggressively to competition. But overall it appears that broiler breeders in Bogor Regency tend to compete in a healthy manner.

3.2.5. Autonomy

Characteristics of autonomy related to the ability to independently develop the business. This autonomy is related to the authority of the broiler husbandry farmers in taking or determining the decision to run their business. In the independent scheme, farmers as the owner and sole manager were in control of his business so that the decision can be done alone. Unlike the partnership farmers, who had an agreement between them (farmers) and the core companies that will determine the requirements of production or marketing of husbandry products. So that the partnership scheme greatly relied on the obedience of the two parties in running the business ethically.

The stronger the understanding and application of business ethics to partners, the stronger the foundations of partnerships being built and will ultimately facilitate the implementation of the partnership itself (Sumardjo *et al.* 2004). So in partnership scheme, the decision making is not only by the farmers. The farmers must be approved by the core company and the agreement will be extracted into a contract agreement.

Based on the results of this research, the autonomy is a dimension of entrepreneurship orientation that can be observed from the independent farmers. This was based on the results of the PLS which showed the loading factor value of 0.84, whereas in the partnership scheme, the value was 0.10 below the value of the rule of thumb validity of 0.50. In the context of an organization especially business, autonomy refers to the freedom in taking action relating to business (Stevenson and Jarillo, 1990).

Table 2. Structural model evaluation (path coefficient) in the broiler husbandry business at Bogor

Variable	Partnership Scheme		Independent Scheme	
	Loading Factor	T-value	Loading Factor	T-value
OK → KI	-0.49	0.54	0.62	4.15

Note : Significant if *t-value* > 1.96

It can be observed from the independent farmers in Bogor Regency that could made the achievement of the business he leads independently. The dimensions of this entrepreneurship orientation were relevant to research conducted by Lumpkin and Dess (1996) and Razak (2011).

3.3. Effect of Entrepreneurship Orientation on Broiler Husbandry Business Performance of Partnership and Independent Scheme in Bogor District

The purpose of the structural model evaluation is to observe the relationship between the latent construct by looking at the estimation of the path parameter coefficient and its significance level (Latan and Ghozali 2015). The structural model analysis is performed to describe the correlation between constructs or latent variables.

In this study developed prediction relationships that affected the entrepreneurial orientation and business performance on the partnerships and independent scheme. The developed model assumed that business performance is influenced by the entrepreneurship orientation of broiler husbandry business.

From table 2, it can be observed that the result of coefficient path test showed that the entrepreneurship orientation on broiler livestock business of independent pattern had a positive and significant influence to business performance. This was observed from the value of loading factor of entrepreneurship orientation variable of 0.62 with t-value 4.15, where t-value is greater than t-table (1.96). Based on the fact in the field that independent schema innovativ in running their business this can be seen from the modification of production equipment in use so as to minimize production cost.

The results obtained can be observed from the path coefficient that explains the influence and significance of the latent variables. In this research, structural model evaluation to explain the influence and significance of entrepreneurship orientation to business performance on broiler livestock business of independent pattern and partnership is presented in table 2. The results of this study are in line with Wiklund and Shepherd (2005) and Chow (2006) studies which suggested that the dimensions of entrepreneurship orientation had positive implications for business performance.

Thus, the improvement of entrepreneurship orientation will improve the performance of farmers of the broiler husbandry in the independent scheme. While the entrepreneurship orientation of farmers in partnership scheme had a Loading factor of entrepreneurship behavior variable value equal to -0.49 with t-value 0.54. This can be interpreted that the partnership scheme had a negative and insignificant effect on business performance. Based on the fact in the field that broiler husbandry partner can't determine their own decisions because the scope of authority in business managemen is so narrow that farmers follow the standards of the core company that causes patner farmers less innovation and proactive and afraid to take risks of business failure.

This was in line with the results of research conducted by Geoge *et al.* (2001); Matsuno *et al.* (2002). It states that entrepreneurship orientation does not give a positive result to business performance.

4. Conclusion

Based on the results and discussion of the research it can be concluded that entrepreneurship orientation dimensions can be observed from the independent farmers in Bogor Regency. The dimensions included innovativeness, proactiveness, risk-taking, autonomy, and competitive aggressiveness. While in the partnership scheme there was no visible orientation dimension. This result based on the conditions in the field and outer loading results on the farmers of broiler husbandry in Bogor Regency. The entrepreneurship orientation in broiler husbandry business in partnership scheme in Bogor Regency has a negative and insignificant effect on

business performance, whereas, in the independent scheme, the entrepreneurship orientation had a positive and significant effect on business performance. This indicated that entrepreneurship orientation played an important role in improving the performance of broiler husbandry business on the independent scheme.

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