

## **Analysys the Effectof Entrepreneurial Orientation Andorganizational Culture Toorganization Performance: The Role Oforganization Agility as Intervening**

Antony S., Itjang D. Gunawan & Willy Arafah  
*Corresponding Author: Antony S., Itjang D*

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**ABSTRACT:** *The purpose of this study was to analyze and identify the effect of Entrepreneurial Orientation and Organizational Culture on Organization Performance with Organization Agility as an intervening variable. This paper aims to focus the intervening role of Organization Agility, no previous researcher has found in previous studies that made organization agility as intervening. This research was conducted at Higher Educational Institution in Riau Islands with a method of collecting data in the form of a questionnaire. The sample in the study are 66 respondents consisting of institutional leaders in the Riau Islands. The data analysis method used in this research are SPSS for Statistic Descriptive and Partial Least Square Structural Equation Modeling (PLS-SEM) using SmartPLS Version 3 program. Data analysis by evaluating the measurement model (outer model) and structural model (inner model). The results of this study indicate that Organizational Culture has a positive effect on organization performance. Organization agility variables also mediate the influence of organizational culture on organization performance. The results of the study also showed that agility organizations have a positive effect on organization performance. The entrepreneurial orientation variable is said to have no effect on organization performance, organization agility variables also do not mediate the effect of entrepreneurial orientation on organization performance. The results also show that universities that have good organizational culture will create agility organizations and improve organization performance. The results of the study also show that entrepreneurial orientation does not play a role in creating organization agility and is not influential in improving organization performance.*

**KEYWORDS:** *Entrepreneurial Orientation, Organizational Culture, Organization Agility, Organization Performance.*

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### **I. INTRODUCTION**

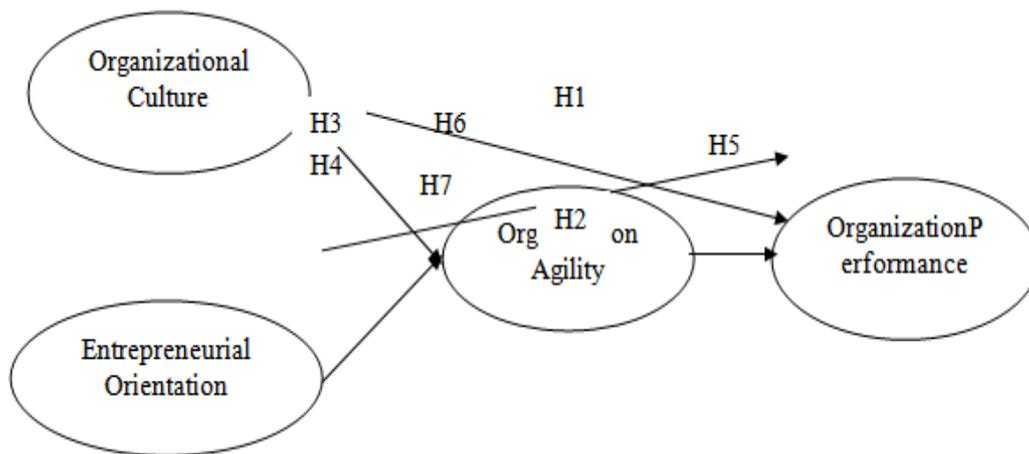
The progress of Indonesia to catch up with other countries depends on several factors such as infrastructure, export capability, and institutional quality. The quality of institutions in creating the next generation that can make Indonesia able to compete globally is very important so that Indonesia is not trapped in a middle income trap position. One of the challenges that institutions must continue to do is innovate, the increasingly fierce business competition requires that institutions are always innovative to increase competitiveness, especially in global competition. In our country, Indonesia is included in the ranks of the State which has a level of innovation which, when compared with neighboring countries and within the international scope, is considered "low". Institutions that have high innovation reflect the development and progress in their respective countries. Various ways are carried out by institutions in improving the ability of the community (Jiang, Liu, Fey dan Jiang, 2018). In addition to Entrepreneurial Orientation, many previous researchers examined that culture has an influence on organizational performance. According to research conducted by Oyemomi, Liu, Neaga, Chen and Nakpodia(2018) conduct research on organizational culture with innovative strategies towards organizational performance. The results of the study show that true organizational culture with innovative strategies can have a significant effect on organizational performance. Higher education performance will increase if the organizational culture is strong, cultural development in higher education is important because each HR in it will work based on agreed values and norms together. In global competition, every successful organization is capable of managing a new culture by emphasizing the development of values that develop successful individuals in competition (Muhammad, 2017). Two important keys are that universities must be able to integrate internally and adapt to external changes. Through this important key, higher education institutions can develop and carry out their vision and mission better so as to improve the performance of the university. Focus of this study is the intervening role of Organization Agility, no previous researcher has found in previous studies that made organization agility as intervening.

Organization agility is one of the factors that according to the author is quite important in mediating the relationship of the influence of entrepreneurial orientation and organizational culture on organizational

performance. Previous researchers have examined the effect of entrepreneurial orientation on organizational agility such as Yu (2012), Arief, Thoyib, Sudiro, and Rohman (2013), which in his research proved that entrepreneurial orientation has a significant influence on Organization agility. Previous research examining the influence of cultural organization on Zahra (2008), Bock, Opsahl, George and Gann (2012) agility organizations, Felipe and Roldan (2017) whose research suggests that organizational culture has a significant influence on Organization agility. Then research conducted by Weihong and Dan (2008), Yu (2012), Arief et al., (2013), and Jitnom (2016) whose research states that Organization agility has a significant influence on Organization performance. Looking at the research carried out by the previous research above, the writer is therefore challenged to conduct research and examine the analysis of the effect of entrepreneurial orientation and organizational culture on organizational performance with Organization agility as an intervening variable.

**Research Framework and Hypothesis Development**

Drawing upon the previous literatures, this study proposed seven hypothesis as shown in Figure 1 below as the research framework.



**Figure 1. Research Framework**

The research conducted by Zhao, Teng and Wu (2018) carried out a corporate culture analysis research on the effect of organization performance. The results of the study show that corporate culture variables have a significant influence on organization performance such as market value, financial performance and innovation output. According to research conducted by Oyemomi, Liu, Neaga, Chen and Nakpodia (2018) conduct organizational culture research with innovative strategies towards performance organizations. The results of the study show that organizational culture with innovative strategies can have a significant effect on organization performance. According to research conducted by Polychroniou and Trivellas (2018) which aims to examine the effect of organizational culture on organization performance. Polychroniou and Trivellas (2018) state that strong and balanced organizational culture has a significant influence on organization performance. This research was conducted on 1305 employees in 114 companies in Greece, and the results of research research show that organizational culture has a significant influence on organization performance. Therefore, the authors can hypothesize that

**H1: Organizational Culture has a significant influence on Organization Performance.**

Arunachalam, Ramaswami, Herrmann, and Walker (2018) conducted a similar study examining the effect of entrepreneurial orientation on performance organizations. The method used is to use company performance surveys for 2 periods at 190 companies. The results show that entrepreneurial orientation has an influence on organization performance. The research was conducted by Jiang, Liu, Fey and Jiang (2018) who examined the effect of entrepreneurial orientation on performance organizations. The study was conducted on 251 companies in China, the results of this study show that entrepreneurial orientation has a significant influence on organization performance. In the same year the research was conducted by Rezaei and Ortt (2018) which examined entrepreneurial orientation towards performance organizations in 279 SMEs. The results of the study indicate that entrepreneurial orientation has an influence on organization performance. According to the research of Rua et al., (2018) who conducted research on the effect of entrepreneurial orientation on organization performance on 247 SMEs in Portugal. The results of the study show that entrepreneurial orientation has a significant influence on organization performance. According to Rua et al., (2018)

entrepreneurial orientation influences organization performance when companies strategically obtain, develop and maximize resources for opportunities for exploitation to gain competitive advantage. According to research conducted by Zhai, Sun and Tsai (2018) who conducted research on the effect of entrepreneurial orientation and absorptive capacity on performance organizations in 324 SMEs in China. The results of the study show that entrepreneurial orientation has a significant positive effect on organization performance. Absorptive capacity can moderate the relationship between entrepreneurial orientation and positive organization performance. Therefore, the authors can hypothesize that

**H2: Entrepreneurial Orientation has a significant influence on Organization Performance.**

Research conducted by Job, Arzu, Iftekhhar and Hafeez (2014) conducted a study of the effect of entrepreneurial orientation on strategic agility and organization performance on 323 professional workers in private companies in Pakistan. The results of the study indicate that entrepreneurial orientation has a significant influence on strategic agility and organization performance. Therefore, the authors can hypothesize that

**H3: Organizational Culture has a significant influence on Organization Agility.**

According to research conducted by Felipe and Roldan (2017) who conducted a study of the influence of Organizational Culture on Organizational Agility companies in Spain. The results of research by 172 companies in Spain showed that Organizational Culture had a significant influence on Organizational Agility. Therefore, the authors can hypothesize that

**H4: Entrepreneurial Orientation has a significant influence on Organization Agility.**

Based on research conducted by Jitnom (2016) who conducted research on the influence of Organization Innovation and Organization Agility on Organization Performance. This research was conducted on 103 electronic companies in Thailand, the results of the study showed that the Organization Innovation and Organization Agility had a significant influence on Organization Performance. Therefore, the authors can hypothesize that

**H5: Organization Agility has a significant influence on Organization Performance.**

According to research conducted by Bock, Opsahl, George and Gann (2012) who conducted a study of the influence of Culture on Organization Agility. This research was conducted on 107 multinational companies (MNC), surveys were given to CEOs of multinational companies. The results of the study show that Culture has a significant effect on Organization Agility. In the same year the study conducted by Yu (2012) conducted a study of the effect of organization agility on Organizations conducted by Small Medium Business (SMB) technology companies in China. The results of the study show that agility organizations have a significant influence on Organization Performance. Therefore, the authors can hypothesize that

**H6: Organizational Culture has a significant influence on Organization Performance with Organization Agility as an intervening variable.**

According to research conducted by Yu (2012) who conducted a study of the effect of Entrepreneurial Orientation on Organization Agility conducted at the Small Medium Business (SMB) technology company in China. The results of the study show that Entrepreneurial Orientation has a significant influence on Organization Agility. In the same year the research conducted by Yu (2012) conducted a study of the effect of Entrepreneurial Orientation on Organization Agility conducted at the Small Medium Business (SMB) technology company in China. The results of the study show that Entrepreneurial Orientation has a significant influence on Organization Agility. Therefore, the authors can hypothesize that

**H7: Entrepreneurial Orientation has a significant influence on Organization Performance with Organization Agility as an intervening variable.**

## **II. RESEARCH METHODOLOGY**

The data studied were cross sectional data. Cross sectional is a learning to find out the comparative relationship of several subjects studied (Indriantoro&Supomo, 2012). Respondents in this study were higher education institutional leaders in Riau Islands. This research will be carried out quantitatively. Quantitative data obtained from secondary data in the form of data from the Higher Education Data Base Ministry of Research, Technology and Higher Education. by distributing questionnaires to 66 Universities in the Riau Islands.

The questionnaire were in 5-point scale likert scale ranging from “1-highly disagree to 5-highly agree”, consisted of total 43 statements. The author uses a census in the selection of research subjects, which are all institutional of higher education leaders in the Riau Islands. Moreover, after all the data had been gathered the statistical analysis were performed using SPSS 21.0 to analyze descriptive characteristics and PLS (Partial Least

Square) 3.0 to evaluate the measurement model, structural model, and hypothesis significance testing, including intervening analysis.

Based on 66 questionnaires distributed at Riau Islands colleges, there were 60 questionnaires that could be used. This is due to the existence of several universities that have the same leadership, therefore the authors ignore universities that have the same leadership. Male respondents were 52 respondents (86.7%) and female respondents as many as 8 respondents (13.3%). From the questionnaire data that has been collected based on age, the majority of respondents have ages between 41-50 years, which are 39 people (65%) from the total number of respondents available. Age of respondents between 51-60 years, which are 14 people (23.3%). Respondents with age above 61 years, which are 4 people (6.7%) and ages 31-40 years, which are 3 people (5%). The total level of education in the questionnaire is starting from the level of bachelor degree to doctoral degree. From the results of the frequency tabulation test, it was found that respondents tended to have a level of master degree with a percentage level of 42% and for doctoral degree of 30%.

### III. RESULTS AND DISCUSSION

The result of validity reliability test were conducted and showed that all indicators and variables used within this study were valid and reliable (valid AVE above 0,5 as showed in table 1 and Reliable above 0,6 as showed in table 2)

**Table 1. Result of The Validity Testing**

Variable	AVE	Decision
Entrepreneurial Orientation	0,572	Valid
Organizational Culture	0,562	Valid
Organization Agility	1,000	Valid
Organization Performance	0,577	Valid

**Table 2. Result of The Reliability Testing**

Variable	Composite Reliability	Decision
Entrepreneurial Orientation	0,785	Reliable
Organizational Culture	0,950	Reliable
Organization Agility	1,000	Reliable
Organization Performance	0,854	Reliable

Furthermore, the result analysis found that there were 4 hypothesis supported while othe 3 hypothesis were rejected in the study as showed in table 3.

**Table 3. Result of Hypothesis Significance Testing**

Variable	Coefficient	P Values	Decision
EO → FA	0,145	0,155*	Rejected
EO → FP	0,094	0,368*	Rejected
FA → FP	0,488	0,005	Accepted
OC → FA	0,701	0,000	Accepted
OC → FP	0,383	0,021	Accepted
EO → FA → FP	0,070	0,210*	Rejected
OC → FA → FP	0,338	0,006	Accepted

The path analysis test results show that the P value of the entrepreneurial orientation variable towards agility organization is higher than 0.05, which is 0.155 so that the entrepreneurial orientation variable does not have a significant effect on organization agility (Hair et al., 2011) (H1 rejected). The insignificant influence is likely due to the low level of entrepreneurial orientation of universities in Riau Islands, causing the ability of universities to not be able to quickly change or adapt by responding to changes in the market, which is also called organization agility. The path analysis test results show that the P value of the entrepreneurial orientation variable towards organization performance is higher than 0.05, which is 0.368 so that the entrepreneurial

orientation variable does not have a significant effect on organization performance (Hair et al., 2011) (H2 rejected). Influence that is not significantly possible due to the low level of entrepreneurial orientation in the Riau Islands tertiary institutions causes low performance, especially national level competition. According to RISTEKDIKTI, Republic of Indonesia, which annually clusters rankings of universities in Indonesia with criteria such as quality of human resources, quality of research and community service, quality of student activities and quality of innovation. Based on data from the ranking of 100 universities in assessing the performance of universities, Riau Islands are still not entering the top 100, which is still dominated by universities in Java. The path analysis test results show that the P value of the variable agility organization against the performance organization is smaller than 0.05, which is 0.005 so that the organization agility variable has a significant effect on organization performance (Hair et al., 2011) (H3 accepted). Significant influence is likely due to higher agility organizations, namely the ability of companies to change quickly and adapt in response to changes in the market can have a significant effect on increasing company performance due to continuous competition, industry development and new technology or unexpected market conditions. The results of the path analysis test show the value of P Values the variable organizational culture of organization agility is less than 0.05, which is 0,000 so that the variable organizational culture has a significant effect on organization agility (Hair et al., 2011) (H4 accepted). Significant influence is possible because if the organization's organizational culture is stronger then the meaning adopted by the members in it distinguishes an organization from other organizations that become special characteristics so that if there is a sudden change, the company can adapt to changes due to strong internal ties. The results of the path analysis test show that the value of P Values of organizational culture variables on organization performance is smaller than 0.05, which is 0.021 so that the variable work culture organizational has a significant effect on organization performance (Hair et al., 2011) (H5 accepted). The positive significant influence can be due to the better quality that exists in organizational culture, the better the performance organization. Organizational members who have fully understood the value of the organization will make that value a distinctive feature of the organization. With supportive human resources, systems and technology, strategies will also improve organization performance. The path analysis test results show the T-Statistics value of entrepreneurial orientation variables on organization performance mediated by organization agility greater than 0.05, which is 0.210 so that entrepreneurial orientation variables do not have a significant effect on organization performance with organization agility as intervening (Hair et al. , 2011) (H6 rejected). The insignificant influence is likely due to the low level of entrepreneurial orientation of universities in the Riau Islands so that they cannot make higher education institutions have high agility which cannot change and adapt quickly in response to changes in the market, thus causing no influence on organization performance. The results of the path analysis test show the value of P Values of organizational culture variables on organization performance mediated by organization agility is less than 0.05, which is 0.006 so that organizational culture variables have a significant effect on organization performance with organization agility as intervening (Hair et al., 2011 ) (H7 accepted). The positive significant influence can be due to the strong organizational culture that will have an impact on the higher level of organizational agility, so that it can easily adapt to changes and responses to change. This of course will make an added value to outperform competitors so that it impacts on performance in an organization.

#### **IV. CONCLUSION AND IMPLICATIONS**

While other research have showed that Entrepreneurial Orientation has significance effect to Organizational Agility and Organization Performance, This study has showed that Entrepreneurial orientation doesn't has significance effect to Organization Performance direct or mediated by Organizational Agility. This research was conducted to facilitate university leaders to find out that entrepreneurial orientation does not affect college performance organizations either directly or mediated by organization agility, while organizational culture influences college performance organizations either directly or mediated by organization agility. Universities, especially in Riau Islands, must pay attention to how to increase entrepreneurial orientation so that it can improve performance organizations to have competitiveness with other universities. This research can contribute in advising universities to pay more attention and focus on innovation so that they can produce human resources born from institutions that will be able to compete and improve the quality of education in Indonesia. In addition, quality human resources will make Indonesia able to compete in the industrial and economic world, and will increase the economic growth of the country of Indonesia. The subject of the next study is not only researching in the higher education sector, but it should be done in other fields such as hospitals, industry and manufacturing, hospitality and others. In addition, it is also expected that the number of samples will be multiplied to be easily generalized. Respondents for further research are also expected not only to be carried out in Riau Islands but carried out in several cities so that in estimating population parameters can be done accurately so that the results obtained are more precise.

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