

THE EFFECT OF CORPORATE ENTREPRENEURSHIP, ORGANIZATIONAL CULTURE THROUGH INNOVATION OF FIRM PERFORMANCE IN THE STRATEGIC INDUSTRY OF STATE DEFENSE

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Abstract

The Defense Industry shows a decrease so that some products are no longer produced due to the absence of orders. This condition questions the systems and business strategies used by the Defense Industry in facing global competition against the production of state defense equipment. BUMN Defense Industry as a state-owned strategic BUMN that is expected to be a beacon of the Indonesian military equipment industry and able to meet the needs of the country's defense and security equipment so that Indonesia does not depend on foreign defense products. Innovation, Firm Performance is a strategic and integrated approach to deliver positive results in organizations by improving performance and developing the ability of teams and individuals. Managing people in an organizational context means managing people in order to produce optimal performance for the organization, so it becomes a concept of firm performance, organizational structure. The method of analysis is done through explanatory research, with PLS / SEM applications. The concepts and problems studied see the causality relationship, then explain the variables that cause the problem under study. The research sample of 92 State Defense Strategic Industry BUMNs.

Corporate Entrepreneurship is always used by companies that have been operating long enough and in large companies. This entrepreneurship is generally used for the purpose of seeing the company's profits. The results of this study Corporate Entrepreneurship have a positive effect on firm performance and are able to improve Innovation Managerial implications in this study are to provide information for relevant agencies to be able to maintain organizational culture by being positive in supporting the development of the Strategic BUMN of the State Defense Industry.

Keywords: *Corporate Entrepreneur, Organizational Culture, Innovation, Firm Performance*

Introduction

When industries that are starting to develop experience difficulties in injecting capital from the private sector (perhaps because the goods produced require high-risk investments, are difficult to patent, or have a spillover effect), the government can help the industry present in the market with a positive economic impact. However, the government cannot predict which of these industrial sectors as developing industries. The phenomenon that occurs in this case is, the decline in some products is no longer produced due to the absence of ongoing orders and this condition is questioning the system and business strategy used. It also faces global competition for production and state defense equipment. A state-owned company that is expected to be a beacon of the Indonesian military equipment industry and able to meet the needs of Indonesia's defense and security equipment.

Corporate Entrepreneurship is always used by companies that have been operating for a long time and in large companies. This corporate entrepreneurship is generally

used for the purpose of looking at corporate profits, as is the case with information collected from the Defense Industry annual report that shows an increase in human resource programs. The development of the business world globally is aware that corporate entrepreneurship is considered to be one of the effective methods to improve organizational performance (G. Wang et al., 2018) In other parts of the world, researchers do not stop to validate corporate entrepreneurship as a potential growth strategy that plays an important role in the company ((Pandarinath et al., 2017; (obasseri et al., 2019). An understanding of corporate entrepreneurship as an object of research that is of real benefit to the company is increasingly developing in line with the researchers' interest in this object. As research conducted by (obasseri et al., 2019) shows that many companies in the world rely on corporate entrepreneurship as a strategy to develop and maintain the company's competitive advantage now and in the future, which is based primarily on innovation. Over the years of research, corporate entrepreneurship has always been used by companies that have been operating long enough and in

large companies. This corporate entrepreneurship is generally used for the purpose of seeing company profits (obasseri et al., 2019) continually renewing strategy development, (Boukamcha, 2019) the level of innovation (Boddy et al., 2019) increasing knowledge to develop new sources of income in the future (Balsalobre-Fernández, 2020), the success of companies at the global level and effective forms of resources as a pattern for building competitive advantage ((Pandarinath et al., 2017; Khanal & Li, 2018) Research on corporate entrepreneurship is continually updated, theoretical and empirical knowledge are the main considerations to be able to understand more deeply (Movahedi et al., 2020). It has been debated in previous research and literature that there are sufficient ambiguities in principles regarding the meaning of corporate entrepreneurship as a corporate strategy. The presence of corporate entrepreneurship as a corporate strategy shows that there are strategic objectives that continuously and continuously utilize opportunities in entrepreneurship for growth and increase company profits ((Pandarinath et al., 2017; Liu et al., 2020) states that innovation is the basis of all forms of corporate entrepreneurship. Therefore, (Rodríguez et al., 2017) tries to define corporate entrepreneurship as a vision that is directed with a broad organizational form, depending on the entrepreneurial spirit that continuously and continuously renews the company and shapes the scope of its operations through the exploitation of opportunities in entrepreneurship.

Kuratko, (2017) also recognize the existence of various cultural groups in organizations. In fact, he stated that many organizations were seen as multicultural. Subgroups with different occupations, divisions, ethnicities, or cultures interact with the organization with their own goals and priorities. Ethnocentrism or the tendency to simply take one's cultural views and be used to evaluate the behavior of others can increase the tendency for misunderstanding and conflict. This perspective differs substantially from the popular view of organizational culture as a monolithic and integrative phenomenon. There is limited research in the area of organizational culture that focuses on groups or subunits as carriers and possible creators of culture. Thus, by looking at organizational culture as an attribute of unity, it seems that previous research covered the possibility of other influences in organizational culture (J. H. Z. Wang, 2019).

Innovation is everywhere nowadays. Organizations incorporate the term innovation in their vision, mission and objective statements. Politicians regularly mention the term innovation in speeches. The position of chief innovative officer becomes more common. And innovation centers have sprung up on university campuses. This condition has resulted in innovation called the most important word and is often used in America (Holtzman, 2016). This has also resulted in misconceptions about what innovation means, which leads to wrong decisions by individuals and organizations and represents a potential reason why a number of companies

find innovation difficult to understand (Kuratko, 2017). One of the common misconceptions is the belief held by some individuals and organizations that innovation must be something truly new and radical; Small additional innovations don't count. There is a problem with this belief, because radical innovation is very challenging, may require special resources, and reflects substantial risk - certainly more risks than additional innovation. Additional innovation, in addition to radical innovation, balances innovation efforts by allowing small wins to pursue big wins. Successful organizations understand that innovation is in a series of processes, ranging from small gradual changes to major radical innovations; innovation is not a binary phenomenon.

Methodology

This research uses several data collection methods, namely: questionnaire and documentation study. Characteristic data, BUMN Strategic Industry in the field of National Defense respondents from the questionnaire will be presented in descriptive statistics. The results of the questionnaire data and documentation study will be tested by PLS-SEM (Sugiyono, 2016). Interviews were conducted to support the results of the research from the questionnaire and study documentation.

In this study, later using survey techniques, deductive and quantitative approaches ((Rahi, 2017) The deductive approach aims to test the theory through the collection of data from respondents then the application is carried out and observed with a statistical test. The quantitative method focuses on collecting data according to the problem and the number of population and analyzing the data. This study Tang & Wang, (2018) is a testing hypothesis that aims to explain the nature of the relationship between two or more variables (Cooper, 2014). In this study also tests the hypothesis of the influence of Corporate Entrepreneurship (CE) Organizational Culture (OC) on Firm Performance (FP) mediated by Innovation (IN). In this study is a survey research, (Saad Laraqui 2018), where by gathering information from or about individuals which will be described, compared, or explained about knowledge of attitudes and behaviors. The population involved as objects in this study is in Strategic SOEs such as PT. Pindad Indonesia, PT LEN Industry, PT.PAL Indonesia, is an industry that has approximately 10,000 employees in which there are 125 employees included in the category of leader and Echelon 1 who can make decisions from each division or directorate. The sample in this study is random or probability which is where the population elements selected have the same opportunity to be chosen. The sample collection and determination method is used for purpose sampling. The method used with certain criteria according to the needs of the study ((Hair et al., 2015; Tremblay et al., 2017).

Sources of data used in this study are primary data sources and secondary data sources. Primary data sources are sources of direct data obtained directly while secondary data sources

are sources of research data obtained by researchers indirectly or through intermediary media. The primary data in this study is a questionnaire. The method in getting respondents from this questionnaire is by conducting a survey of distributing questionnaires to respondents. Secondary data is information obtained from various sources involved in the Strategic Industry in the National Defense Sector (Idhan).

Result and discussion

Innovation variable has a mediating model which shows where the adjusted R-Square value of 0.139 Innovation is able to be a liaison with Firm Performance. This figure is able to explain the Innovation variable, Firm Performance is able to explain service quality by 13.90%. R-square value for Firm Performance of 0.519 indicates a strong model because it is more than 0.5. Firm performance variable can be explained by Innovation by 51.90%.

the test results that the variables of corporate entrepreneurs, organizational culture and Innovation have a T-Statistic value of more than 1.96 and a P-Value of less than 0.05. This figure shows that corporate entrepreneurs, organizational culture and Innovation have a significant positive effect on Firm Performance.

Based on the analysis that has been done, the discussion of the hypothesis is conveyed as follows:

H1; Corporate Entrepreneurship has a positive effect on Innovation

The path analysis test for the variable of corporate entrepreneurs to Innovation has a P-Value of 0.00 less than 0.05 so that the variable of corporate entrepreneurs understands the desire of each part to ensure that every State-Owned Agency can create the best possible innovation with partners, adding capacity not just to individual only, but also involves all the resources and fostered partners so as to be able to provide positive innovation, investment in the field of development and improving the quality of good innovation will bring success to the relationship with all parties. (G. Wang et al., 2018).

H2; Organizational Culture has a positive effect on Innovation

The path analysis test of Organizational culture variable on Innovation has a P-Value of 0.03 which is smaller than 0.05 where Organizational culture has a positive effect which means an increase in organizational culture influences innovation, in this case strategic defense SOEs related to what is the program towards production and business progress, development will make (Laorden Gutiérrez, 2010).

H3; Organizational Culture has a positive effect on Firm Performance

The path analysis test of organizational culture variables on firm performance has a P-Value of 0.01, which is smaller than 0.05 where organizational culture has a positive effect, meaning that organizational culture influences company performance. Organizational culture can bring a relationship to firm performance. (Tran et al., 2020), to increase business development, innovation from every resource can help strategic SOEs in the field of defense and can also maintain economic growth by keeping the production sector as good as possible an important part in strategic SOEs in the field of defense.

H4; Corporate Entrepreneurship has a positive effect on Firm Performance

The path analysis test of corporate entrepreneurship variables on firm performance has a P-Value of 0.00 which is smaller than 0.05 where corporate entrepreneurship has a positive effect, meaning that strategic entrepreneurial SOEs offering defensive bids can also be made with several contributions developed by taking into account opportunities for resource utilization other power (Eddleston & Mulki, 2017). Industry development with the surrounding support is interrelated to BUMN innovation which will bring a positive impact on the effect of production

H5; Innovation has a positive effect on Firm Performance

The path analysis test for the Innovation variable on customer experience y has a P-Value of 0.01 meaning that it is less than 0.05, so that the service quality variable has a positive effect on the firm performance of SOEs in this case the strategic defense industry that has experience of developing strategy and development service, (Ketter et al., 2017) will never stop to keep Innovation. The quality of innovation that is fostered well integrated with all parts (Rauch et al., 2015). If the quality of innovation is able to collaborate with all parties, it is also able to discuss new innovations for all other business activities. (Al-Hubaishi et al., 2017)

Summary

The results of this study conclude that in general corporate entrepreneurs, organizational culture, and innovation are variables that influence firm performance. Innovation mediation of corporate entrepreneurs and organizational culture also needs to be considered in subsequent developments, while the conclusions in this study are as follows: Corporate entrepreneurs, significant and have a positive effect on innovation, the purpose of this positive influence is the role and improvement of entrepreneurial cooperation carried out on innovation is good and needs to be further developed to be accustomed to be able to run for the progress of the state defense industry strategic BUMN. (Pandarinath et al., 2017)

Organizational Culture, significant and positive towards

innovation, illustrates that there is an effort from every service institution and also production actors in BUMN organizations to continuously improve good innovation in BUMN organizations. The role of each available resource can help and produce a good quality of production, so that a lot of production can increase SOE profits. (Lin & Worthley, 2012) Organizational Culture has a positive effect on firm performance, illustrating that organizational culture greatly influences the condition of company performance, behavior, attitudes will affect all aspects of performance performed by each relevant SOE so as to be able to provide maximum production in order to increase the sale value of the results of business production and also can increase BUMN profits so that they can last even longer. Corporate Entrepreneurs have a significant positive effect on Firm Performance. Provide opportunities for all resources in SOEs to help each other and also wish to safeguard the profits and lives of SOEs in the future. Innovation has a positive effect on firm performance, in maintaining innovation creativity not only developing but maintaining the innovation, because it is very influential on the performance of SOEs and will also affect the quality of production of business activities and SOE profits, if this is disrupted, it will be difficult for SOEs to develop and have an impact positive for all active and creative employees. (Teak, 2014).

This research is expected to be able to provide input to the government and other defense industry SOEs to add quality and apply innovation as creativity that should be maintained. Quality, performance will be good if it is also applied innovations that bring quality and performance into parts that have specificities or become special characteristics so that they can provide opportunities for businesses to market products with innovations and characteristics to support the economy, especially in the field of the national defense industry.

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Citation: Donny Bayu Sukarno, Haryono Umar, Haeba Ramli, "THE EFFECT OF CORPORATE ENTREPRENEURSHIP, ORGANIZATIONAL CULTURE THROUGH INNOVATION OF FIRM PERFORMANCE IN THE STRATEGIC INDUSTRY OF STATE DEFENSE.". *American Research Journal of Business and Management*, vol 6, no. 1, 2020, pp. 1-5.

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