

# CASSAVA Processing Industries: How to Succeed? Case in Bondowoso-Indonesia

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**Abstract:** *SMEs sector showed a dominant contribution to the gross domestic product. SMEs have been able to demonstrate the contribution and the identity as the main pillar to supporting the national economy to help drive the economic recovery process in Indonesia. By improving and enhancing business performance of SMEs, it is expected that the economy would be able to run faster, more advanced, and drive economic growth better in the future. Several factors affect the business performance of SMEs is sustainable competitiveness, organizational learning, and entrepreneurial orientation. The study examines the influence of entrepreneurial orientation on organizational learning and sustainable competitiveness against changes in business performance. Population in this study is SMEs which processing of cassava into tapein Bondowoso Region, Indonesia. The data collected consists of primary data (based on field surveys). Respondents are firm leaders (the owner or manager). Each SME will be represented by one respondent. The analysis technique used structural equation model to test the hypotheses. The study found an entrepreneurial orientation influence organizational learning; entrepreneurial orientation and organizational learning have an effect and a significant positive relationship to sustainable competitiveness, and sustainable competitiveness influence business performance of tape SMEs.*

**Keywords:** business performance, sustainable competitiveness, organizational learning, entrepreneurial orientation

## 1. Introduction

ASEAN Economic Community provides hope for the prospects and opportunities for inter-regional economic cooperation on a broad scale. ASEAN countries will become a great country. AEC will support the entry of investors and labor from neighboring countries that stimulate economic growth. For Indonesia, AEC 2015 provides several new competitive challenges. The intense competition is likely to impact on the competitive power, not just the large industrial, but also the SME sector because of the similarity of product characteristics. SME is a business group with the greatest number and quite dominant in the Indonesia's economy. The achievement of success MEA 2015 will also be influenced by the readiness of SMEs (Andry, 2014).

One of the government's attentions in an era of AFTA in 2015 was the ability of SMEs to compete in ASEAN. Note economic growth showed the threat to the business performance of SMEs in free trade era. Many micro businesses are not growing according to expectations. If the quality of the quality of business performance of SMEs did not have increased, it could be lost.

Approximately 95% of the total business units in the world are SMEs, which provide jobs for 60% of the total workforce, and contributes to almost 50% of GDP. In OECD, SMEs contribute 95% of total business unit, employ 77% of the total work force, and contribute 54% of GDP and about 30% of export. Non-OECD, they contribute more than 90% of total business unit; employ 61% of the total workforce; and accounts for about 45% of GDP. In EU, 99, 8% of the total business units are SMEs, providing employment for early 67% of the total workforce; and accounts for about 58% of GDP. APEC, SMEs play 90% of total business unit; Absorb about 60-80% of the total workforce; and contributing to a 30% export.

In the ASEAN, data show high contribution SMEs to countries' economy. On average of the countries of ASEAN, SMEs are 96% of total business unit, providing employment to 50% -85% of the total workforce, and contribute to 30-53% of GDP; and 19-31% of export. Singapore show SMEs are 99% of total business unit; absorbing about 70% of the total workforce (7 out of 10 workers in the sector are SMEs); and contribute to 60% of GDP. Malaysia (2012) show 99, 2% of the total business units; absorb 56% of the workforce; as well as contributing to 32% of GDP and 19% of export. Thailand (2010): 99.8% of total business unit; as well as contributing to 37.1% of GDP and 28.4% of export. Philippines (2009), approximately 99.6% of total business unit are SME, absorbing 61.2% of the work force, and contributed to 35.7% of GDP;

In Indonesia, the same phenomenon is also happened. SMEs able to demonstrate the contribution to nation's economy and play an important role in the economic recovery of Indonesia. Data from the Badan Pusat Statistik (Central Bureau of Statistics) and the Ministry of Cooperatives and Small Enterprises in 2009 showed evidence of at least three important roles of SMEs in Indonesia. Total population of SMEs in 2008 reached 99.99% of the total business of the business unit in Indonesia, the number of employees they reach 97.04% of the total workforce in Indonesia. Employment, which reached 99.4% of the total labor force works. 55.56% of the Gross Domestic Product (GDP) was contributed by the SME sector. This fact shows the importance of SMEs to create economic stability through employment creation and income distribution.

Small and Medium Enterprise business performance is very promising views of the SME sector's contribution to national GDP. Data growth contribution of micro, small and medium enterprises in GDP showed an increase from year to year. In 2010, the contribution of SMEs to GDP increased by 0.59%

from 56.53% in 2009 to 57.12% in 2010. In 2011, increasing again by 0.83% to 57.94% and in 2012 by becoming increasing 1.14% to 59.08%. This case shows the continuous growth of SMEs in Indonesia.

**Table 1: Growth and GDP Contribution Of SMEs in Indonesia**

|        | 2011        |              |        | 2012        |              |        |
|--------|-------------|--------------|--------|-------------|--------------|--------|
|        | Amount      | Market share | growth | Amount      | Market share | growth |
| GDP    | 7,427,089.1 |              | 22.38% | 8,241,864.2 |              | 10.97% |
| SMEs   | 4,303,571.5 | 57.94%       | 24.15% | 4,869,568.1 | 59.08%       | 13.15% |
| Micro  | 2,579,388.4 | 34.73%       | 25.71% | 2,951,120.6 | 35.81%       | 14.41% |
| Small  | 722,012.8   | 9.72%        | 20.78% | 798,122.2   | 9.68%        | 10.54% |
| Medium | 1,002,170.3 | 13.49%       | 22.70% | 1,120,325.3 | 13.59%       | 11.79% |
| Big    | 3,123,514.6 | 42.06%       | 20.03% | 3,372,296.1 | 40.92%       | 7.96%  |

Source: Ministry Cooperative & SMEs data.

One of the challenges facing the government is to increase SMEs' competition power. SMEs need to maintain and improve competitiveness as creative and innovative industries. Moreover SMEs are expected to raise the standard of design and quality of its products.

Real performance faced by SMEs in Indonesia, the most prominent is the low level of productivity, low value added and low quality products. Although recognized also that majority of workers in Indonesia work in SMEs, but the contribution of the national output is categorized low. Particularly, micro-enterprises have a very low productivity. When used as a productivity wages, the average wage in SMEs generally is below the minimum wage. This condition reflects the productivity of micro and small lower than larger businesses.

To survive in the escalation of increased competition, stated that small companies should use traditional strategies based on available resources (Mahoney and Pandian, 1992). Companies must focus on developing internal capabilities that are superior so that it can compete in a sustainable. Competitiveness is built based on the organization's internal asset utilization through continuous organizational learning will encourage to improve business performance. Barney (1991) stated SMEs will be able to maintain a good position in the competition in the industry as having the competence and value to customers, rare, difficult to imitate and difficult to replace.

SME business performance is also influenced by the organization's ability to always learn so as to form a learning culture in the organization. Entrepreneurs should encourage internal organizations to be willing and able to learn pro-active. With the learning process, SMEs acquire and process new information into knowledge to operate business.

Sustainable competitiveness and organizational learning is the formation of entrepreneurial skills for creative and innovative thinking. Results of creativity and innovation will lead to new ideas, methods and ways and produce products and services that are unique and produce or develop value-added products / services.

Cassava many processed into refined products. "tape" sometimes referred to as *peuyeum* (from Sundanese

language), is a traditional fermented food. It is an alcoholic paste and has a sweet or sour taste. *Tape* is made by fermenting cassava. The existence of the *tape* is maintained by the community and foster the efforts of *tape* processing are quite crowded so Bondowoso has a nickname as "the city of *tape*". Industries of *tape* give a big contribution to local economy. There were 7500s workers were accommodated in the *tape* industry, ranging from agricultural laborers, craft baskets *tapemaker*, *tape* maker, packaging to distribution, transportation, etc. however, industrial *tape* has not provided adequate welfare for people involved in it. This study focuses on the performance of SMEs cassava processing so that by understanding the determinants can be used for the development strategy of *tape* industry in the regency towards improving the welfare of society.

Problem formulations in this study are what is the business performance of cassava processing SMEs influenced organizational learning and entrepreneurial orientation? Is a sustainable competitive advantage of cassava processing SMEs influenced by organizational learning and entrepreneurial orientation? Is organizational learning of cassava processing SMEs influenced by entrepreneurial orientation?

## 2. Literature Review And Hypotheses

Performance is the results achieved from what has been done by entrepreneurs in running the business. Performance measured and multidimensional which is the result of crimes of an organization. Improved business performance is done by maximizing the utilization of strategic asset demonstrate the specificity of entrepreneurship and a competitive advantage that inhibits competitors (Amit and Schoemaker, 1993). Some indicators of the success of entrepreneurship are reflected on product excellence and superiority of market control. Measures of performance that is commonly used is the sales growth (sales growth), employment growth (employment growth), the growth of income (income growth) and growth in market share (market share growth) (Kim and Choi, 1994; Lee and Miller, 1996; Miles et al, 2000; Hadjimanolis, 2000),

Empirical support has been shown by many researchers in the use of performance indicators small firms (Olson and Bokor, 1995; Hadjimanolis, 2000; Hadjimanolis and Dickson, 2000) used sales growth rate, employment growth, return on assets (ROA), market share profitability, and *size* as an indicator in measuring the company's performance.

### Sustainable Competitiveness

Competitive advantage is the ability of a business to achieve better profit in the competitive industry by adding value to each process. When excellence is able to withstand the changes of competition, it can be said to have a sustainable competitive advantage (Barney, 1991).

Owned resources play an important role in the success of the entity. Good management of resources will lead to higher efficiency, cost reduction, quality improvement and market share and achieve higher profitability (Collis, 1994).

Competitive advantage can be gained from the strategic resources of the organization (Dierickx and Coll, 1989; Barney, 1991; Peteraf, 1993; and Teece *et al.*, 1997) allowing the company to obtain superior performance in a certain time period, competency of a fundamentally different entities because it has a set of resources (Grant, 2002: 139; Fleisher and Bensoussan, 2003: 187). The achievement of competitive advantage of the most effective is to use the company's competitiveness or capability (Wernerfelt, 1984; Barney, 1986a; Rumelt, 1991; Evans, 1991; Peteraf, 1993; Amit and Schoemaker, 1993).

The success of the competitiveness strategy can be viewed as a success of the performance of the entity. Sustainability sustainable competitive advantage is obtained when the gain can be obtained and able to withstand the challenges of the behavior of other competitors. Prahalad and Hamel (1989) found that the good performance of entities that can be achieved when the entity focuses on improving competitiveness by using new ways and innovative ways to achieve goals. The main concern of the company is using its resources creatively to build the core competitiveness.

Hypothesis 1: Business performance of SMEs is positive influenced by sustainable competitiveness.

### Organizational Learning

Entrepreneurs who put up with innovation and able to learn from his experiences tended to be more successful than organizations that do not do it. Each organization must improve organizational capability by improving the ability of learning. Entrepreneurs who accept learning as a mechanism for increasing the capability of the organization is ready to receive and gather information, interpret, and act upon the interpretation of the information.

Entities with the learning organization is an entity that has expertise in creating, retrieving and transferring knowledge, modify their behavior to reflect the knowledge and experience gained. Sinkula *et al.* (1997) found a positive relationship between the learning process and a sustainable competitive advantage. Sinkula *et al.* (1997) used eight dimensions of organizational learning built by Huber (1991). The dimensions are commitment to learn, share vision, openness, information, disseminate information, and interpret information and dynamic program.

Wang and Lo (2003) found that organizational learning positive effect on the company's core competencies. Build and develop competitiveness can only be done through organizational learning. Learning will bring the process of acquisition, integration and application of new knowledge and unique to be implemented internally through experimentation, improvement efforts, and innovation. Organizational learning is done by searching for information in order to maintain competitiveness, acquire, process, store and retrieve information effectively and efficiently.

Absah (2008) founded that entrepreneurs are able to obtain, integrate and apply new and unique knowledge through experimentation, improvement and innovation in the internal activities of the organization to maintain the competitiveness

and sustainability of its core competencies. This enables the company to renew, redistribute or rearrange the core competence. Learning organization directing change towards the better through self-evaluation and revision. Learning organization direct change towards the better through self-evaluation and revision.

Hypothesis 2: Business performance of SMEs is positive influenced by organizational learning.

Hypothesis 3: Sustainable competitiveness of SMEs is positive influenced by organizational learning.

### Orientation Entrepreneurship

Slater and Narver (1995) revealed that the success of a business is affected where appropriate entrepreneurial orientation. Entrepreneurial orientation is a major attribute to achieve a high performance company. Drucker (1994) argues that the entrepreneurial orientation as to the nature, character or characteristics that is attached to a person who has the willpower to realize innovative ideas into real business world and can develop it tough. Orientation entrepreneurship is the ability to create something new and different.

Glancey *et al* (1998) found a relationship one's motivation in entrepreneurship, with the success of the business. Orientation entrepreneurs determine business performance. Lumpkin and Dess (1996) and Wiklund and Shepherd (2005) stated that the entrepreneurial orientation is closely related to the process of formulating a strategy that will provide a basis for decision-making and implementation of the organization's business. Entrepreneurial orientation plays an important role in improving business performance (Keh *et al.*, 2007). Orientation of entrepreneurship refers to the processes, practices, and decision making that lead to new input and has three aspects of entrepreneurship, risk-taking, act proactively and always innovative (Lumpkin and Dess, 1996). Hassim. *et al.* (2011) examined relationship influence of entrepreneurship orientation to business performance. Their results showed that entrepreneurship has a positive effect on business performance. Moreover, Wang (2008) suggested that entrepreneurial orientation is a determinant of level of learning orientation within the organization; and it is a critical key to business success (Tajeddini and Mueller, 2009).

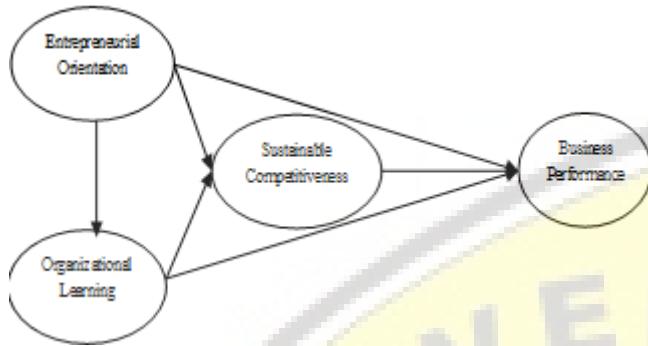
High entrepreneurial orientation is an encouragement to always gain so that an entrepreneur has the opportunity to take advantage and the emergence of these opportunities, which in turn positively affects business performance. Higher entrepreneurial orientation can enhance the company's ability to market its products towards better business performance. Therefore, companies are increasingly innovative, proactive, and dare to take risks tend to be able to perform better business.

Hypothesis 4: Business performance of SMEs is positive influenced by entrepreneurial orientation;

Hypothesis 5: Sustainable competitiveness of SMEs is positive influenced by the entrepreneurial orientation;

Hypothesis 6: Organizational learning of SMEs is influenced positive by the orientation entrepreneurship.

Based on theoretical and empirical previous findings, the conceptual framework of inter-influences between variables can be drawn like as figure 1.



**Figure 1:** Inter Influences of Variables

### 3. Research Methods

This research used primary data. Primary data was collected and put together directly from the 172 *tape* SMEs in Bondowoso. Primary data can be obtained by questionnaires from employee key and owners and direct interviews concerning the data relating to the business profile, business transactions, as well as a system or method that has been applied in the business. This study measures the perceptions of employers towards entrepreneurial orientation, organizational learning, sustainable competitiveness and business performance. Employers are managing the company so it must have competencies, understand the company's management as well as direct action to face competition. His company's success depends on the competence and mental substantiality. In other words, the company's performance is a reflection of the competency of the entrepreneur.

Data were collected using a questionnaire about the characteristics of respondents and questions about the variables. Questions are presented in the form of open-ended questions and statements and scale to express the response. Statements contained in a list of questions related to the leader or entrepreneur assessment on the effect of entrepreneurial orientation on the learning ability of the organization to sustainable competitiveness and businesses performance of *tape* SMEs in Bondowoso.

#### Empirical Findings

Structural equation modeling is statistical techniques that allow a set of relationships between one or more independent variables and one or more dependent variables to be examined. The purpose of SEM is to attempt to explain correlations among directly observed variables.

The test results with structural equation modeling can be seen in Table 2, 2, and 3. A direct correlation between organizational learning and business performance and the sustainable competitiveness with the business performance of *tape* industrial showed in table 2.

**Table 2:** Direct Effect between Variables

| Direct Effect               | Organizational learning | Sustainable competitiveness | Business Performance |
|-----------------------------|-------------------------|-----------------------------|----------------------|
| Entrepreneurial orientation | 0,828                   | 0,463                       | -                    |
| Organizational learning     | -                       | -                           | -                    |
| Sustainable competitiveness | -                       | -                           | 0,661                |

Table 2 presents the results of testing the direct effect that occurs between variables. Sustainable competitiveness has a direct effect (0,661) to business performance. EO has 0,828 score of direct effect to organizational learning and 0,463 score of direct effect to sustainable competitiveness.

**Table 3:** Result Of Hypothesis Testing

|         | Path   | Coeff  | Prob.   |
|---------|--------|--------|---------|
| EO → OL | 0,828  | 4,033  | 0,000** |
| EO → SC | 0,463  | 2,614  | 0,029*  |
| OL → SC | 0,220  | 1,312  | 0,049*  |
| EO → BP | -0,139 | -1,507 | 0,094   |
| OL → BP | 0,092  | 1,647  | 0,058   |
| SC → BP | 0,661  | 4,392  | 0,000** |

\*\*Sig. 0.001

\*sig 0.05

#### Organizational Learning and Entrepreneurial Orientation

Table 3 shows the influence of entrepreneurial orientation on organizational learning have a significant positive path coefficient. Hypothesis 1 that states that the entrepreneurial orientation influence organizational learning *tape* industry is accepted. Organization learning will increase if organization owners have high entrepreneurial orientation. Learning organization is the result of the entrepreneurial orientation. The higher the entrepreneurial orientation will be the higher organizational learning.

Entrepreneurial orientation has long been recognized as the key to organizational learning activities. Dynamic competitive environment requires that the employer integrate the resources and overcome the threat of bankruptcy. An entrepreneurial orientation are processes, practices and decision-making activities, winning the competition and getting gain (Atuahene-Gima and Ko, 2001; Zhou et al, 2005). An entrepreneurial orientation is processes, practices, values and decision-making activities of entrepreneurs to innovate (Li et al., 2009).

Innovation becomes something that is very valuable for the performance of the company due to environmental changes. The company's ability to innovate gives direct impact on organizational performance. Ireland and Webb (2007) stated entrepreneurial action has a direct effect on product and process innovation. Orientation entrepreneurship will encourage an effort to become more autonomous, competitive, and proactive and risk-taking.

An increase in initiatives to encourage the entrepreneurial orientation of organizations to learn. Industrial *type* with a strong entrepreneurial orientation will have an active commitment to learning and to act in the face of business competition and changes in the environment. This learning process will be implemented in the operational and managerial improvements. This improvement led to the impact of derivative activity more effective and efficient production process, the better the managerial process, the quality of its products, and the more responsive signals catcher private information.

Entrepreneurs who have the ability to learn are more likely to have decision-making capabilities more quickly and successfully in response to market changes or new information (Krauss et al., 2005). Entrepreneur will have the ability to absorb and receive information from outside the organization. This case is similar to that presented Morris et al. (2007) says that companies with more learning orientation has a chance to enter new markets as successfully synthesize information, implementation and strategies, and influencing the market. Leaner organization will be able to capture the customer needs. Proactive and innovative capabilities will bring it to the front row more than competitors in terms of the identification of opportunities.

#### **Entrepreneurship Orientation and Sustainable Competitiveness**

Table 3 show that the effect of entrepreneurial orientation to the sustainable competitiveness. Hypothesis 2 stated that the entrepreneurial orientation influence organizational learning is accepted. Encourage entrepreneurial orientation efforts that are innovative, proactive and dare to accept risk in getting market share. Entrepreneurs who have entrepreneurial orientation will encourage continuous improvement process so as to satisfy the customers both old and new. They can manage with good management so that utilization of resources can be carried out efficiently, effectively and economically. All resources can be utilized as much as possible so that the company may have comparative advantage when viewed from its resources and a competitive advantage when viewed from the strategy is implemented.

Zainol and Ayadurai (2011) found that there is entrepreneurial orientation with the firm performance. McCarthy (2003) showed that entrepreneurial orientation will be followed by the formation of product strategy, market scale and a higher competitive element. Entrepreneurial would tend to push to sell goods or services with better.

Grinstein (2008) concluded that the company's performance will be better if the entrepreneur's orientation is innovation and entrepreneurial orientation. The orientation substantially affects the company's performance. If the entrepreneur has an entrepreneurial orientation, market orientation, and innovation simultaneously, the performance will be better than a company that has only one orientation.

Lava (2012) indicates that entrepreneurial orientation and directs a significant effect on improving the competitiveness of businesses. While Supranoto (2009) found that the entrepreneurial orientation has impact on marketing performance.

These results differ from Djodjobo and Tawas (2014). They found that entrepreneurial orientation did not effect to competitiveness. They said the elements of entrepreneurial orientation has not been done completely or thoroughly by the manager of the business because of the existence of these efforts are mostly still traditional.

Entrepreneurial orientation is a key driver of the improvement. This improvement may be related to value creation of new products. Company orientations acquire entrepreneurship skills and knowledge opportunities generate new products or services, new added value, create new businesses, implement new processes, and developing new organization. The study of Sange (2005); Grinstein (2008), and Xin Sheng and Yicui (2007) showed that entrepreneurial orientation have a significant impact on the competitiveness and performance. The third indicator (innovative, proactive and risk-taking) contribute to shaping the orientation of the capture market opportunities and serve customers.

Entrepreneurial orientation which has dimensions of sustainable innovation to form a pattern of behavior for the company is always ready to compete. The readiness shown by the capabilities optimally manage resources, improved product quality, meeting the needs of customers, the ability to compete on price, so that competitiveness will increase. Dimensions pro-actively encourage entrepreneurs to actively seek information, capture new market opportunities. Entrepreneurs have more information and faster to catch customer's needs with early so their products became a pioneer than its competitors. The development of these devices enables entrepreneurs to create new products that are difficult to imitate.

#### **Organizational Learning and Sustainable Competitiveness**

Table 3 showed the influence of organizational learning for sustainable competitiveness. Hypothesis 3 states organizational learning influence the sustainable competitiveness can be accepted. Entrepreneurs who put up with innovation and able to learn from his experiences tended to be more successful than others. Each organization must improve organizational capability by improving the ability of learning. Entrepreneurs are someone who receive and gather information, interpret, and act upon the interpretation of that.

Abсах (2008) revealed that entrepreneurs are able to obtain, integrate and apply new and unique knowledge through experimentation, improvement and innovation in the internal activities of the organization. The company not only looking for specific information to maintain the competitiveness and sustainability of its core competencies, but also learn how to acquire process, store and retrieve information effectively and efficiently. This enables the company to determine the

information needed to renew, redistribute or rearrange the core competence after scanning and careful assessment and continuous on the environment.

Wang and Lo (2003) states that organizational learning positive effect on the company's core competencies. Competence can be built and developed through organizational learning. The learning process will be implemented through experimentation, improvement efforts, and innovation. Entrepreneurial always learn so that the company's operational processes work effectively and efficiently. The information collected may include internal and external information.

These results differ from Ade (2012) who found that organizational learning has no effect on competitiveness. He said that organizational learning does not influence on sustainable competitiveness because some theoretical assumptions cannot be covered in his study. Small industries that do not like formality considered limiting freedom and reduce the flexibility causes small industries are difficult to obtain information from the formal environment. Formal information may be come from others the government or non-governmental organizations such as training, seminars, workshops, to increase the business performance. Small industries are not able to configure resources in order to create a good competitiveness.

### Entrepreneurship Orientation and Business Performance

Table 3 showed that the effect of entrepreneurial orientation on business performance *tape* industry has no significant coefficient. Hypothesis 4 states that the entrepreneurial orientation influence business performance *tape* industry has not been accepted. The relationship between the entrepreneurial orientations on performance is insignificant. These results are consistent with the findings Bhaumik and Selarka (2012) which found that the concept of entrepreneurial orientation, did not significantly affect the company's performance in emerging markets.

This contrasts with previous studies (Giri and Yick, 2006; Li, 2008; Benito et al (2008); Liu *et.al*, 2009; Miller and Le Breton-Miller, 2011; Risnawati and Noermijati, 2011; Hassim *et.al*, 2011; Bhaumik *et.al*, 2012; and Mahmood and Hanafi, 2013) which stated that there is a positive relationship between the orientation of entrepreneurship and business performance. That the higher the entrepreneurial orientation, the company's performance will also be higher. Li et al. (2008) found that there is a positive relationship between entrepreneurial orientation and performance of the company. The entrepreneurial orientation is a desire to improve the organization. Flexibility and risk considerations, which emphasizes entrepreneurial orientation to always innovate, take risks, autonomy, become more proactive and more progressive than the competition. Giri and Yick (2006) who found that there is a positive correlation between strategic entrepreneurial orientation form and business performance. Benito et al (2008) stated that the entrepreneurial orientation is required in the competitive environment to improve business performance.

Miller and Le Breton-Miller (2011) that found entrepreneurship and innovation is usually taken together as a key determinant of the company's performance. It might be related to knowledge about the performance will depend on the absorptive capacity of the company. SMEs might find it difficult to analyze process, interpret and understand information obtained from external sources. Entrepreneurial orientation positive effect on the performance (Risnawati and Noermijati, 2011).

Failure of these studies found a significant between entrepreneurial orientation and corporate performance is because the average *tape* entrepreneur has a range of entrepreneurial orientation which is almost equivalent to the distribution of organizational performance. The company's performance is not directly changed with differences in entrepreneurial orientation. In theory should business performance is the result of the planning process. The *tape* industries in Bondowoso do not using adequate strategic plan like as a management theory. Day to day operations carried out by short-term forecasting based on limited market information that is understood by entrepreneurs. Improved performance is stagnant because it was not developed from smart planning. The findings of this study indicate that the theory that the significant influence of entrepreneurial orientation on business performance are not evident in the *tape* industry in Bondowoso.

### Organizational Learning and Business Performance

The results in Table 3 showed that organizational learning influence on business performance of *tape* industry has not a significant coefficient. Hypothesis 5 states that organizational learning influence business performance is rejected. The test results found no association between organizational learning with business performance. Learning organizations do not prove to be the antecedent of the increase in business performance directly.

The finding similar with Chaston et al (1999). In their research on SMEs in Devon and Cornwall, they found no association between organizational learning and organizational performance as measured by sales growth. They found that the continuous efforts to acquire and manipulate knowledge do not have a significant relationship with the sales growth.

This study contrast with other previous (Herausand Dimovski, 2012; Thompson and Kahnweiler, 2002; Egan et al, 2004; Kandemir and Hult, 2005; Li et al, 2009; Michna 2009; Rhee, et al, 2010). They found evidence empirical correlation positive between organizational learning and organizational performance. In other words, organizations that develop learning skill to improve their business performance. Financial performance alone is not a good predictor for the performance of the organization. They show that the actions of employees strongly associated with organizational learning ability.

The organizational learning emphasizes the elements of improvement and refinement. This requires the organization to be responsive to the environment change. The environment would give a signal in the form of information that can be utilized as knowledge. The information can be

sourced either from internal and external environment. Learning organization is considered to bring positive changes in the way people act and they looked at the internal and external environment. These changes are expected to have a positive impact on organizational performance (Thompson and Kahnweiler, 2002; Egan et al, 2004; Kandemir and Hult, 2005; Li et al, 2009; Michna 2009; Rhee, et al., 2010).

### Sustainable Competitiveness and Business Performance

The results are presented in Table 3 showing that the effect of the sustainable competitiveness of the business performance of *tape* industries has significant coefficients. Hypothesis 6 suggests that the level of competitiveness effect on business performance of *tape* industrial is accepted. The sustainable competitiveness is a collection of factors that differentiate a company from its competitors. It provides a unique position in the market is crucial to the success of the company. The ability to determine the configuration of the existing resources will have an impact on the level of business efficiency and effectiveness.

The study found an association between the sustainable competitiveness and business performance. Strategy to acquire and utilize the valuable resource, are rare, difficult to imitate and difficult to replace will bring a competitive advantage. When it can be maintained and not be followed equally by competitors will emerge a sustainable condition. Sustainable competitiveness is an antecedent of the business performance in industrial *tape*. The higher the sustainable competitive advantage makes higher performance of business.

This study support Istanto (2010). He stated a competitive advantage can be expected to produce superior market performance and financial performance. Analysis of competitive advantage shows the differences and uniqueness among the competitors. A source of competitive advantage is the skills, resources and superior control. Superior skills that enable organizations to select and implement strategies that will differentiate the organization and competitor.

Supranoto (2009), Sismanto (2006) and Dewi (2006), and Djodjobo and Tawas (2014) find a competitive advantage impact on the marketing performance. The uniqueness of the product attributes, quality product, and price make consumers want to revisit and repurchases. If a business does not have anything unique or different values, may be not growing. Prasetiawan et al., (2015) found that competitiveness is one of determinant economic performance. Competitiveness includes the leadership factors and using of technology, and it is very important in improving business performance.

### 4. Conclusions and Recommendations

The study aim to examine the influence several variables on business performance of *tape* SMEs in Bondowoso. There are six hypotheses that tested with partial least square. Each hypothesis was constructed based on theoretical and empirical framework. The independent variables are

entrepreneurial orientation, organization learning, and sustainable competitiveness. The variable dependent is business performance. Understanding of business performance determinant give knowledge how to escalate a SMEs performance.

Results show several findings which are two relationships as not expected. In fact, entrepreneurial orientation and organizational learning have no effect on business performance. The other associations are in line with the initial allegations. Entrepreneurial orientation influence organizational learning, entrepreneurial orientation and organizational learning have an effect and a significant positive relationship to sustainable competitiveness, and sustainable competitiveness influence business performance of *tape* SMEs.

Study is conducted on *tape* SMEs in Bondowoso that does not consider other background characteristics such as the type of activity; length of business has been operating and cultural backgrounds that may affect the *tape* SMEs's ability. Future study should consider the factors carefully. This study have problem about limited ability to understand the perception of respondents accurately. Due to the possibility that not all the questionnaires are answered directly by owner of the business because there may be delegated to their employees. It can also be caused by the relatively low level of education of respondents, so effect on the quality perception. Future study can do the long time research so all the phenomena in *tape* industrial can be captured comprehensively.

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