



Government Regulations, Interpreneurial Orientation and Stakeholder Network Capability in Achieving Organizational Performance

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Abstract

The purpose of this study is to analyze government and stakeholder regulations as well as entrepreneurial orientation in achieving organizational performance, this study to measure the impact of the institutional environment as government regulations and managerial ability in maintaining the relationship between stakeholder networks and entrepreneurial orientation in the context of industrial estates in Batam. The results of data analysis from industrial companies in Batam and its surroundings show that the maritime industry in Batam is entrepreneurially oriented and is significantly influenced by government policies as reflected in legal certainty and bureaucratic attitudes that help implement these policies. Besides, it is evident that the ability of management to establish relationships with many stakeholders, which consists of all existing partners and employees, also affects the growth of entrepreneurial orientation. The performance of the maritime industry in Batam is proven to be significantly influenced by entrepreneurial orientation directly.

Introduction

Riau Islands is a maritime area which is about time to develop maritime industry, such as sea transportation, marine tourism, fishing, mining and energy. The natural potential of the sea is a mainstay of wealth owned by the Riau Islands in responding to the challenges of a maritime industry-based economy with this potential Riau Islands Province can increase economic growth and the welfare of marginalized coastal communities in Indonesia. The Batam area is designated as a free trade area and free port for 70 (seventy) years from the enactment of Government Regulation No. 46/2007. Free trade areas and free ports include Batam Island, Tonton Island, Setokok Island, Nipah Island, Rempang Island, Galang Island and Galang Baru Island.

In the Batam Free Trade and Free Port Zone, activities in the economic sector are carried out, such as the trade, maritime, industry, transportation, banking, tourism and other sectors, Government Regulation Number 46 of 2007 Article 2 paragraph 1.

Table 1. Annual Production Growth of Micro and Small Industries in Riau Islands Province 2014-2019

Year	Annual Production Growth				
	I	II	III	IV	Annual
2014	-1,64	7,88	13,31	15,53	8,64
2015	20,84	14,95	11,07	5,57	12,85
2016	1,75	6,18	-3,92	-1,10	0,76

2017	-1,68	0,04	19,86	22,15	9,65
2018	24,17	24,33	15,93	17,65	20,31

Source: processed data, BPS, 2019

Based on the table, the annual production growth of micro and small industries in the Riau Islands was the highest in 2018, amounting to 20.31%.

Table 2. Number of Micro and Small Industrial Companies in Riau Islands Province 2013-2015

Year	Number of Companies (units)	
	Micro	Small
2013	13.706	2.515
2014	14.638	761
2015	7.231	237

Source: processed data, BPS, 2019

Based on table 2, the number of micro and small industrial companies in Riau Islands Province is the largest number of micro-industry companies in 2014, amounting to 14,638 units. In 2013, the largest number of small industrial companies was 2,515 units. Entrepreneurial orientation is how top managers tend to take business-related risks, to encourage change and gain a competitive advantage for their companies, and compete aggressively with other companies, (Clauss, 2017). Entrepreneurial orientation as a construct of academic studies on the strategy-making process, and involves some policies and practices that guide entrepreneurial decisions and actions in an organization (Taylor, 2013). Government regulations related to industrial estates in Batam are by Government Regulation of the Republic of Indonesia Number 24 of 2009 concerning Industrial Estates. Industrial estate business licenses are granted to zone companies based on Indonesian law and domiciled in Indonesia. The development of industrial estates in Batam aims to control space utilization, increase environmental-friendly industrial development efforts, accelerate industrial growth in the regions, increase competitiveness, and provide location certainty in coordinated planning and infrastructure development among related sectors, Government Regulation of the Republic of Indonesia Number 24 2009, Article 2.

In the process of making an entrepreneurial strategy, it is an important element to achieve corporate success. Implementation of entrepreneurial strategies as a strategic need for the company, Dewi et al, (2018). Entrepreneurial orientation (EO) has a positive effect on business performance, and network capability (NC) can significantly moderate the relationship between entrepreneurial orientation and business performance, Zhang (2012). The mindset of company managers as strategic decision-makers, company managers are proactive in making changes and recognizing opportunities according to entrepreneurial orientation and showing specific abilities (Dobrzykowski *et al*, 2015). Company managers are urged to make changes for the sake of organizational sustainability, based on the entrepreneurial mindset, (Nikfarjam&Zarifi, 2015). This study aims to examine whether government regulation, stakeholder network capabilities, entrepreneurial orientation affect organizational performance.

Government Regulation

The effect of micro-level government regulations on the level of entrepreneurial orientation of a company in this study will be measured through the dimensions of policy quality (Chadee&Roxas, 2013). An area where industrial activities are concentrated, equipped with

supporting facilities and infrastructure developed and managed by an Industrial Estate Company that already has an Industrial Estate Business Permit, PP No. 24/2002 Article 1 paragraph 2. Industrial estate companies are companies that undertake the development and management of industrial estates. An industrial company is a business entity that carries out activities in the Industrial business sector in the territory of Indonesia, PP No. 24 of 2002 Article 1 paragraph 4.

According to the Government Regulation of the Republic of Indonesia Number 46 of 2007, the Batam area is designated as a Free Trade Zone and Free Port for 70 (seventy) years since the enactment of the Government Regulation covering Batam Island, Tonton Island, Setokok Island, Nipah Island, Rempang Island, PulauGalang and GalangBaru Island. According to the Republic of Indonesia government regulation number 21 of 2010 concerning the protection of the maritime environment, it is every effort to prevent and overcome the pollution of the aquatic environment originating from activities related to shipping. According to the Regulation of the Head of the Batam Free Trade Zone and Free Port Exploitation Agency Number 27 of 2017, the Batam Free Trade Zone and Free Port Exploitation Agency, hereinafter referred to as the Batam Concession Agency, is an agency that has the task and authority to carry out the management, development and development of the Free Trade Zone and Batam Free Port.

Stakeholder Network Capability

Network capability is measured by four dimensions, namely coordination, skills, partner knowledge, and internal communication, Dewiet *al* (2018). Network capability is a mechanism for companies to proactively anticipate market opportunities, direct the use of resources in a more focused and targeted market, and encourage interaction on the introduction of innovative products or services. Network capability is defined as a company's ability to initiate, develop and utilize relationships between internal and external organizations, Zacca (2015).

Entrepreneurial Orientation

Entrepreneurial Orientation refers to the tendency of companies to explore new market opportunities, thus, manifesting through the tendency of companies to accept innovation, risk-taking, proactive, competitive, aggressiveness and autonomy, Boso, *et al* (2013). The dimensions of entrepreneurial orientation are innovative and proactive as well as the tendency to make decisions with measurable risks, entrepreneurial orientation is considered as innovation in business Bounckenet *al* (2016). Entrepreneurial orientation can influence organizations through the dimensions of the business model. Aspects of entrepreneurial orientation, namely value creation, value proposition and entrepreneurial orientation value proposition can influence innovation separately or at different times, Claus (2015).

Organizational Performance

Performance is measured through four dimensions, namely sales growth, profitability, overall performance and stakeholder satisfaction, Wales (2016). The definition of performance is the quality and quantity of work achieved by an employee in carrying out his duties by the responsibilities given to him Mangkunegara (2015).

According to Adam & Kamase (2019), the results obtained by an organization are both profit-oriented and non-profit-oriented organizations that are generated over a while.

Methods

The data used in this study are primary data distributed by online questionnaires and paper questionnaires. The population in this study were medium and large scale companies in Batam, as many as 298 industrial companies in the city of Batam. The sampling technique uses

stratified random sampling by taking the sample by paying attention to the strata (level) in the population. The use of samples in this study using sloven with a precision level of 10%. So the samples in this study were 100 industrial companies in the city of Batam.

Results and Discussion

Validity Test of Research Variable Instruments

Table 3. Validity Test Results

r tabel	GR	R	SNC	r	EO	R	OP	r
0,1946	GR ₁	0,787	SNC ₁	0,762	EO ₁	0,652	OP ₁	0,751
0,1946	GR ₂	0,754	SNC ₂	0,774	EO ₂	0,756	OP ₂	0,721
0,1946	GR ₃	0,702	SNC ₃	0,759	EO ₃	0,719	OP ₃	0,742
0,1946	GR ₄	0,702	SNC ₄	0,745	EO ₄	0,670	OP ₄	0,674
0,1946					EO ₅	0,612	OP ₅	0,689
0,1946					EO ₆	0,617		

Source: processed data, SPSS 23, 2019

Based on the table, r count is greater than r table and has a positive value, so the question or statement or indicator item is declared valid.

Reliability Test of Research Variable Instrument

Table 4. Reliability Test Results

GR	SNC	EO	OP
0,718	0,756	0,754	0,761

Source: processed data, SPSS 23, 2019

Based on these criteria, the construct of reliability of government regulation, stakeholder network capability, entrepreneurial orientation, organizational performance is 0.718, 0.756, 0.754, and 0.761 above the limit value used, namely 0.70, the constructs of government regulation, stakeholder network capability, entrepreneurial orientation, organizational performance said to be reliable.

Classic Assumption Test

Multicollinearity Test

Multicollinearity test to test whether the regression model found a correlation between the independent variables.

Table 5. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	GR	.849	1.178
	SNC	.882	1.133
	EO	.891	1.122

Source: processed data, SPSS 23, 2019

Based on the multicollinearity test results in the table, there is no independent variable that has a tolerance value of ≤ 0.10 , which means that there is no correlation between the independent variables. The VIF results also show that there is no independent variable that has a VIF value ≥ 10 . So it can be concluded that there is no multicollinearity between the independent variables in the regression model.

Autocorrelation Test

Auto correlation occurs because the residual (confounding error) is not independent of one observation to another. A good regression model is a regression that is free from autocorrelation.

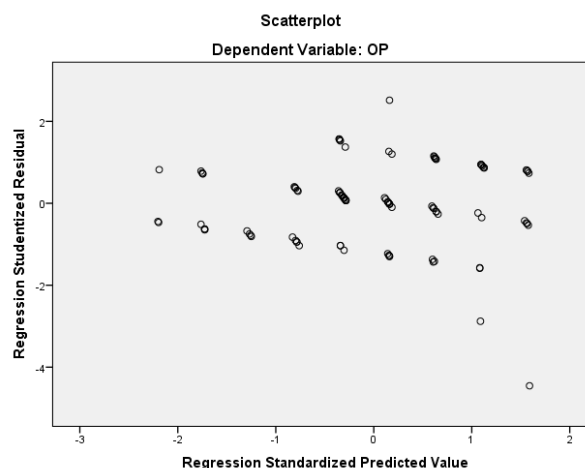
Table 6. Autocorrelation Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.951 ^a	.904	.901	.79440	1.842
Predictors: (Constant), EO, SNC, GR					
Dependent Variable: OP					

Based on the results of the autocorrelation test in the table, the value of $d > d_u$ is $1.842 > 1.7582$ which means there is no positive autocorrelation. Value $(4 - d) > d_u$ which is equal to $2.158 > 1.7582$ means there is no negative autocorrelation. So it can be concluded that in the regression analysis there is no autocorrelation.

Heteroscedasticity Test

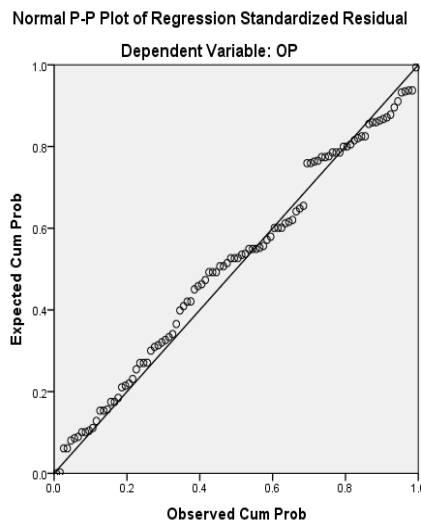
Heteroscedasticity test to test whether there is an inequality of variance from the residuals of one observation to another in the Ghozali regression model (2016).



Based on the scatterplot, the dots spread randomly and are scattered both above and below. It can be concluded that there is no heteroscedasticity in the regression model.

Normality Test

The normality test aims to test the data for the independent and dependent variables in the resulting regression equation, whether they are normally distributed or not.



Based on the normal plot graph, that the regression model violates the assumption of normality.

Hypothesis Test

Coefficient of Determination Test

Based on the amount of adjusted R² is 0.901, this means that 90.1% of income variation can be explained by variables of government regulation, stakeholder network capability, entrepreneurial orientation, and organizational performance. While the rest is (100% - 90.1% = 9.9%) explained by reasons other than the model.

Table 7. Coefficient of Determination Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.951 ^a	.904	.901	.79440	1.842
Predictors: (Constant), EO, SNC, GR					
Dependent Variable: OP					

Simultaneous Significance Test (F Test)

Table 8. F Test Results

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	570.726	3	190.242	301.455	.000 ^b
	Residual	60.584	96	.631		
	Total	631.310	99			
Dependent Variable: OP						
Predictors: (Constant), EO, SNC, GR						

Based on the table, the calculated F value is 301,455 with a probability of 0.000. Because of probability. Because the probability is smaller than 0.05, the regression model jointly affects organizational performance.

Partial Significance Test (t Test)

Based on the results of the partial test for the government regulation variable, the count is 0.008 with a significance value of $0.994 > 0.05$, so it does not have a significant effect, the stakeholder network capability has obtained a count of 28.111 with a significance value of $0.00 < 0.05$, so it has a significant effect, entrepreneurial orientation obtained a count of 0.565 with a significance value of $0.574 > 0.05$, it does not have a significant effect

Table 9. Partial Significance Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	1.436	.871		1.650	.102
	GR	.000	.045	.000	.008	.994
	SNC	1.129	.040	.946	28.111	.000
	EO	.015	.026	.019	.565	.574

Based on the research results, it shows that partially government regulation does not affect organizational performance in the maritime industrial area in Batam. This is supported by research by Dewi *et al* (2018) that government regulation does not directly affect organizational performance but government regulation has a significant effect on entrepreneurial orientation. Based on the results of research, stakeholder network capability has a significant effect on organizational performance, this is supported by research by Zacca (2015) that stakeholder network capability utilizes internal and external networks to improve organizational performance. Based on the research results, entrepreneurial orientation does not have a significant effect on organizational performance, this is contrary to the results of research by Dewi *et al* (2018) which states that entrepreneurial orientation has a positive impact on improving organizational performance.

Conclusion

Based on the research results, government regulation, stakeholder network capability, and entrepreneurial orientation have a simultaneous influence on organizational performance. When companies pay attention to government regulations, stakeholder network capability, and entrepreneurial orientation, it will improve organizational performance so that it can optimally support company goals.

Good management in establishing relationships with many stakeholders consisting of all work partners and employees can affect organizational performance. The implications of this research are useful for government practitioners in making policies and decisions related to building relationships between the government and SMEs or MSMEs in an economic context to encourage the realization of entrepreneurship.

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