The International Journal Of Engineering And Science (IJES)
|| Volume || 4 || Issue || 2 || Pages || PP.01-09 || 2015 ||
ISSN (e): 2319 – 1813 ISSN (p): 2319 – 1805

The Effect of Business Strategy on Innovation and Firm Performance in the Small Industrial Sector

Ibnu Hajar
Department of Management, Faculty of Business and Economics, Halu Oleo University
Kendari, Southeast Sulawesi,Indonesia

----------*ABSTRACT*----------

The purpose of this study was to examine and analyzed the effect of business strategy on innovation and firm performance in the small industrial sector. Especially, to analyzed partially the effect of business strategy on innovation, the effect business strategy on firm performance, and the effect innovation on firm performance. The sample using purposive sampling of 55 business units. Primary data collection instrument is done by giving a questionnaire to the owner-managers of the wooden furniture manufacturing. Analysis of the data used to test the hypotheses of partial least squares (PLS).The results showed that partially, business strategy have a positive effect on innovation, business strategy have a positive effect on firm performance, and innovation have a positive effect on firm performance. Overall, the study provides a basis modeling alternative business strategy-innovation configurations to optimize firm performance in the small industrial sector. Therefore, in future studies need to confirm the moderating effect of innovation on the relationship between business strategy and firm performance to provide a clear understanding of the concepts of innovation capabilities can improve the competitive position of the firm and superior performance.

Keywords: *Business strategy,Innovation, Firm performance,Small industrial sector.*

Date of Submission: 23 January 2015 Date of Accepted: 05 February 2015

I. INTRODUCTION

The research reported in this paper aims to advance our understanding of small industry develop resources and capabilities that allow them compete in the industry settings. According to Porter (1979), the nature and degree of competition in an industry hinge on five forces; the threat of new entrants, the bargaining power of suppliers, the threat of products or services and jockeying among current contestants. This model focuses on the external side of strategy, helping firms analyze the forces in an industry that give rise to opportunities and threats. According to Barney (1995) a firm that use their internal strengths in exploiting environmental threats, while avoiding internal weaknesses, are more likely to gain competitive advantage than other types of firms. Furthermore, Porter (1996) argued, a firm will only be able to obtain better results than its competitors if it manages to the create a specific and durable differentiating factor, and that innovative behavior being the principal means of creating this competitive advantage. Thus many authors see competitive advantage, innovation and performance as interconnected concept and processes, and their inter-relationship has been studied widely analysed (see e.g. Newbert,2007; Roberts and Amit,2003; Short, *et al*.,2007).

The most successful business strategies typically aim at building uniquely strong or distinctive competencies in one or more areas crucial to strategic success and then using them as a basis for winning a competitive edge over rivals. Distinctive competencies can relate to leading-edge product innovation, better mastery of a technological process, expertise in defect - free manufacturing, specialized marketing and merchandising know-how, potent global sales and distribution capability, superior e-commerce capabilities, better customer service, or anything else that constitutes a competitively valuable strength in creating, producing, distributing, or marketing the companys product or service (Thompson and Strickland, 2004:55-56). Business strategy implementation is concerned with the fit between the competitive strategy and its internal process should contribute to enhanced effectiveness and superior performance. Miles and Snow (1978) developed a comprehenshive framework that addresses the alternative ways in which organization define and approach their product-market domains and construct structures and processes to achieve success in those domains. They identified four ideal types of firms: prospectors, analyzers, defenders, and reactors. Typologies are the dominant framework of business strategy in strategic management literatures. The strategy types are determined based on firm/SBU level adaptation to the competitive environment.

According to Wheelen and Hunger (2004: 66-67) in the strategic management literatures, a strategic type is a category of firms based on a common strategic orientation a combination of structure, culture, and process consistent with that strategy. These general types have the following characteristics: Defenders are company with a limited product line that focus on improving the efficiency of their existing operations. This cost orientation makes them unlikely to innovate in new areas.Prospectors are company with fairly broad product lines that focus on product innovation and market opportunities. This sales orientation makes them somewhat inefficient. They tend to emphasize creativity over efficiency. Analyzers are corporations that operate in at least 2 different product-market areas, one stable and one variable. In the stable areas, efficiency is emphasized. In the variable areas, innovation is emphasized. Reactors are corporations that lack a consistent-structure-culture relationship. Their (often ineffective) responses to environmental pressures tend to be piecemeal strategic changes.

The capability to innovate is recognized today as one of the main aspect leading to a competitive advantage among firms. Innovation is an important component of a firms strategy mainly because it constitutes one of the principal means through which it can seek new business opportunities (Lumpkin and Dess,1996; Wiklund,1998). Despite the risk and uncertainty, when successful, innovation can have a sizeable impact on firms financial results and economic performance. In order to deal with this environment of risk and uncertainties, firms must recognize the need for innovation in order to obtain and sustain competitive advantage and develop strategies directed towards the new products able to compete in highly competitive business environment. Innovation is considered by many researchers and managers to be critical for fims to compete efficiently in both domestic and global market (Hitt, *et al*.,2001). Hamel (2000) argues that innovation is the most important component in a fims strategy. Innovation can be categorized into product and process innovation (Damanpour and Gopalakrishnan, 2001). In the long run, innovation of products and processes is perhaps the most important building block of competitive advantage. Competition can be viewed as a process driven by innovations (Hill and Jones, 2013 :97).

The research was conducted on the wooden furniture manufacturing in Kendari City, Southeast Sulawesi of Indonesia. Wooden furniture manufacturing is an fragmented industries that has long operated by rely on the comparative advantages of local teakwood raw material sources are valuable and rare. Comparative advantages of raw material sources in the wooden furniture manufacturing cannot be achieved as a competitive advantage, because the threat of new entrants from outside the region of Southeast Sulawesi offering products with better design and quality, the threat of substitute products, that is products of furniture where the raw material is not of teakwood, and the bargaining power of customers who have a wide selection of furniture design and product quality. Therefore, wooden furniture manufacturing in the city of Kendari to achieve a competitive advantage in the industry setting can develop strategies directed towards the product development and product differentiation through innovation capabilities in order to compete in the industrial environment.

A firms competitiveness over time depends on its ability to adopt both types of innovations, and this simultaneous adoption of product and process innovations is positively associated with performance (Damanpour and Gopalakrishnan, 2001). A fragmented industry is one in which no firm has a significant market share and can strongly influence industry outcomes. Fragmented industries are found in many areas of the economy and are common in such areas as professional services, retailing, distribution, wood and metal fabrication, and agricultural products (Pearce and Robinson, 2011: 231). The raw material resources of teakwood endowment of a region can help generate sustainable advantages only if the resulting regional competences are valuable (i.e. they must allow firms to generate profit), rare (i.e. they cannot be in abundant supply), not subject to substitution and imperfectly imitated, (i.e. quality and unique resources). These attributes of firm can be thought of as empirical indicators of how heterogeneous and immobile a firms resources are and thus how useful these resources are generating sustained competitive advantages (Barney,1991).

The purpose of this study was to examine and analyzed the effect of bussines strategy on innovation and firm performance. Especially, to analyzed partially the effect of bussiness strategy on innovation, the effect of bussines strategy on firm performance, and the effect innovation on firm performance in the wooden furniture manufacturing.

II. LITERATURE REVIEW

The focus of this paper is on the relationship among three construct: business strategy, innovation, and performance in the small industrial sector. There is some evidence in the literature that business strategy issues and the associated innovation tend to affect firm performance positively. However, many studies generally consider only two of the three constructs. He we consider the literature for each relationship in turn: First, the relationship between business strategy and innovation, followed by the relationship between business strategy and firm performance. Second, we then look at the relationship between innovation and firm performance.

Business strategy

The strategic management field has produced a body of research that focuses on the identification and understanding of firm level strategic orientations within and across industries. Strategic orientation refers to the manner that a firm adapts to its external (industry/competitive) environment. Miles and Snow (1978) based their typology on three sets of problems confronting every firm: entrepreneurial, engineering, and administrative. Depending on how these problems were addressed, they identified four ideal types of firms: prospectors, analyzers, defenders, and reactors. Prospector face the need to continuosly identify and serve new product and market opportunities. Analysers tend to occupy a position between prospectors and defenders by maintaining the existing segments and trying to be fast followers. Defenders are firms that maintain a narrow market niche and offer a stable range of products. Reactors are firms that lack a coherent strategy, thereby they react when they are forced by environmental pressures.

The strategy types have been empirically analysed in subsequent studies, where the proposed dimensions have been tested (Blumentritt and Danis, 2006; Oltra and Flor, 2010) stress the higher generalisability of Miles and Snow (1978) typology, its applicability to low concentrated industries formed by small and medium-sized firms, and the higher degree of specification used to define the types. Studies of the impact of strategic orientation on innovation and performance in particular yield more conclusive evidence of positive impacts. For example, Manurung (2009) have studied in the airline industry. They have found positive and significant relationship between strategic orientation and innovation. Moore (2005) have studied in the retail industry. The have found positive and significant relationship between strategic orientation (i.e.prospector, analyzer, defender) and performance. Thus the following indicators were considered as measuring the business strategy by using three strategic types: (i) prospector, (ii) analyzer, and (iii) defender.

Innovation

Innovation reflects the tendency, experimentation and the creative processes that may result in new products, services or technological processes (lumpkin and Dess,1996).Innovation refers to the act of creating new products or processes. There are two main types of innovation: product innovation and process innovation. Product innovation is the development of product that are new to the world or have superior attributes to existing product. Process innovation is the development of a new process for producing and delivering them to customers (Hill and Jones, 2013: 97). Innovation have been subject of many research studies in several parts of the world, especially in the manufacturing sector. Studies on the nature of influence of innovation on performance have also found mixed result-while some studies have found a positive association between innovation and performance, some other have found negative relationships. Rosenbusch *et al*.,(2009) they have found that innovation has a positive effect on the performance of SMEs. Marques and Ferreira (2009) they have found that innovative capacity has a positive effect on performance in a tradisional industrial region of Portugal. Chang and Robin (2008) have studied the links among public policy, innovation and performance in 23 sector of Taiwan manufacturing industry. They have found that in general Taiwan firms that spend on innovation tend to perform less well, indicating negative relationships. Ramanathan *et al*. (2010) they also find negatively influences economic performance in the UK industrial sector. However, the are also studies in the literature that found negative relationships between innovation and performance. As mentioned earlier, Loof *et al.* (2003) have found no significant relationship between innovation and productivity for Finland but the relationship was significant for Norway and Sweden. Thus the following indicators were considered as measuring the intensity of innovation: (i) product innovation; (ii) process innovation; and (iii) expenditure innovation.

Firm performance

Many studies measured performance in terms of financial indicators. Venkatraman (1990) advocated measures of business performance by return on assets (ROA), operating income, cost per sales, and sales pernumber of employees. Morash *et al.(*1996) measured firm performance relative to competitors using return on assets (ROA), return on investment (ROI), return on sales (ROS), ROI growth, ROS growth, and sales growth. Accounting data such as return on assets (ROA), return on investment (ROI), and return on sales (ROS) have been applied to numerous studies (Daily *et al*.,2002). In summary, various key measures of business performance have been used in the literature to asses the impact of business environment, strategic decisions, and manufacturing strategy on firm performance. Based on prior research, thus it was decided to measure firm performance through: (i) sales growth, (ii) profit growth, and (iii) assets growth.

Thus, the following hypotheses are consist of :

H 1: A significant, positive effect exists between business strategy and innovation.

H 2: A significant, positive effect exist between business strategy and firm performance.

H 3: A significant, positive effect exist between innovation and firm performance.

III. CONCEPTUAL MODEL

A conceptual model is presented for illustrative purposes in Figure 1. It represents the proposed relationship (hypothesis) between latent constructs: business strategy, innovation and firm performance. In purpose to reveal the effect of between business strategy on innovation, business strategy on firm performance and innovation on firm performance.

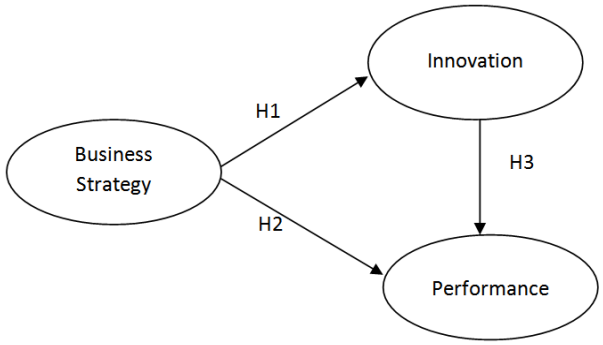

Figure 1. Proposed conceptual model

IV. RESEARCH METHODS

Sample

The research was conducted on the small industrial wooden furniture manufacturing that operate in the city of Kendari and listed in the directory of Industry and Trade Office Kendari. The sample using purposive sampling to 55 business units that meet the criteria of the Central Bureau of Statistics and (UU RI number 20, 2008) on small businesses as follows: (1) has a net worth of more than Rp. 50,000,000 until Rp.500.000.000 excluding land and buildings, (2) It has annual sales of more than Rp.300.000.000 to at most Rp.2.500.000.000 (3) have registered and have a business license , (4) the form of private enterprise, and (5) the number of workers between 5 to 19 people.

Data collection

Primary data collection instrument is done by giving a questionnaire to the owner-managers of the small industrial wooden furniture manufacturing. The answers to the questions in the questionnaire were measured using a five-point Likert scale. Then proceed in-depth interview with the owner-managers of the implementation of the strategy orientation and intensity of innovation undertaken, namely product innovation, process innovation, and expenditure innovation that enable to improve firm performance.

V. ANALYSIS AND RESULTS

Data analysis

Analysis of the data used to test the hypothesis of partial least squares analysis (PLS) with the calculation using the Smart PLS software applications. PLS also handles both formative and reflective constructs. Many researchers utilized PLS for just this reason, given the perceived difficulties in formative model specification in SEM. PLS also can be a useful way of quickly exploring a large number of variables to identify sets of variables (principal components) that can predict some outcome variable. PLS does not face the issues of model complexity that SEM does and is therefore able to handle large numbers of measured variables and/or contructs easily. Finally, PLS is insensitive to sample size considerations.PLS is particularly useful in generating estimates even with very small samples (as low as 30 observations or less) where SEM programs are just not applicable (Hair, *et al*., 2010: 776).

Structural model in PLS approach is the relationship between the latent variable called inner models, while each indicators measurement model (reflective and formative) is called the outer models. Inner models evaluated by the percentage of variance to see R^2 (R-Square), construct latent exogenous and contruct latent endogenous evaluation using size Q^2 ((Stone-Geisser Q Square test) to see the magnitude of the structural path coefficients. The stability of the estimation model in the evaluation using the PLS t test obtained through bootstrapping procedure.

Validity and reliability

Prior to the analysis of PLS first tested the validity and reliabilities research instruments. Testing based on criteria convergent validity, average variance extracted (AVE) and composite reliability as follows:

Convergent Validity tests

Results convergent validity tests on all indicators have outer loading > 0.6 with $p < 0.05$, so it can be concluded qualify (significantly) as in the following Table 1. Furthermore, to determine the discriminant validity is to look AVE. Based on the results for the third construct AVE calculation above 0.5. Thus the indicators used in this study is valid or meet convergent validity.

Table 1. Convergent validity tests

Variables	Indicators	Outer loading	*p* – value
Business strategy	Prospector	0,953	0,000
	Analyzer	0,940	0,000
	Defender	0,901	0,000
Innovation	Product Innovation	0,939	0,000
	Process Innovation	0,877	0,000
	Expenditure Innovation	0,926	0,000
Firm performance	Sales Growth	0,935	0,000
	Profit Growth	0,942	0,000
	Asset Growth	0,922	0,000

Composite reliability tests

Results composite reliability tests showed that all constructs have value criteria composite reliability > 0.7 and *Cronbachs alpha* values > 0.6 as in the following Table 2.

Table 2. Composite reliability tests

Variables	Composite reliability
Business strategy	0,952
Innovation	0,939
Firm performance	0,954

Goodness of fit models tests

Goodness of fit model structural in the analysis of the value of prediitive-relevance (Q^2) can be calculated based on the value of each endogenous variables, innovation R^2 = 0.886127 and performance R^2 =0,869413.

Q^2 = 1- (1-0, 886127) (1-0, 869413) = 0.987897 or predictive-relevance value, Q^2 = 98.79%, thus feasible models for hypothesis testing.

Hypothesis testing is done by looking at the value t- test on each of the direct effect of the partial path. Hypothesis testing result can be see in Table 3, and Figure 2 as follows:

Table 3. Hypothesis testing and path coefficient

Direct Effect	Path Coefficients	t-Statistic	*p*-value	Decision
Business strategy → Innovation	0.929	71.629	0.000	Significant
Business strategy → Firm Perfomance	0.518	6.071	0.000	Significant
Innovation → Firm Perfomance	0.432	4.931	0.000	Significant

Note*: p*-value = significant at $\alpha < 0.05$

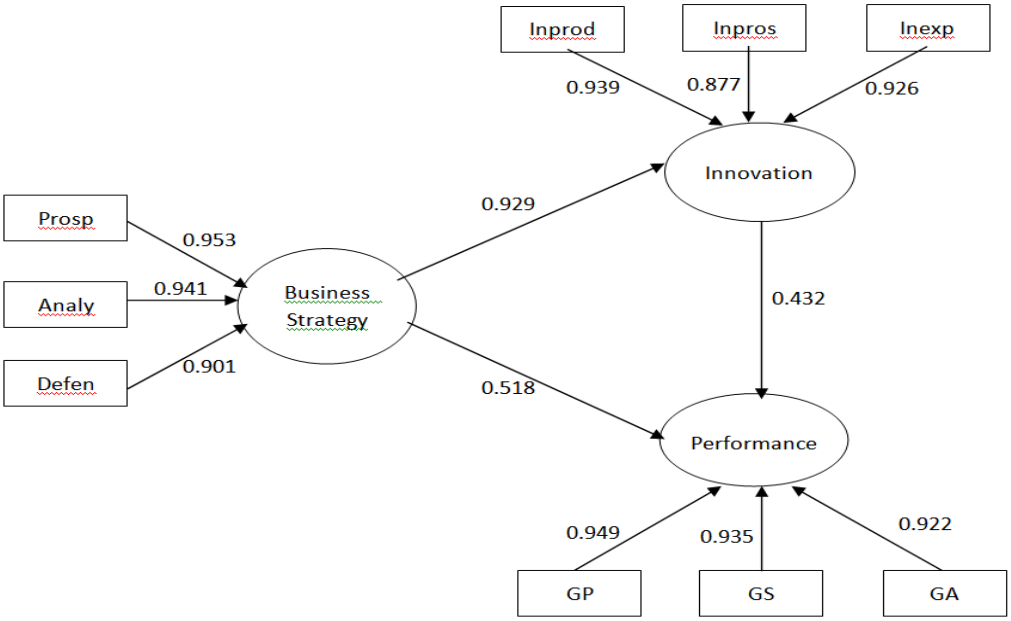

Figure 2. Path diagram of hypothesis testing

Descriptive analysis

Descriptive analysis was calculated based on the percentage of respondents' answers to the research questions using a five-point Likert scale to obtain the average value of each of the indicators that reflect the perceptions of respondents.Score mean indicators and score mean variables as in the following Table 4.

Table 4. Outer loading, mean indicators and mean variables

Variables	Indicators	Outer loading	Score mean indicators	Score mean variables
Business strategy	Prospector	0,953	3,87	3,76
	Analyzer	0,940	3,85	
	Depender	0,901	3,56	
Innovation	Product Innovation	0,939	3,87	3,82
	Process Innovation	0,877	3,79	
	Expenditure Innovation	0,926	3,82	
Firm performance	Sales Growth	0,935	3,96	3,95
	Profit Growth	0,949	3,98	
	Asset Growth	0,922	3,89	

Business strategy

The business strategy is a typology of strategies used to analyze the level of intensity of competition in the industry. Typology of business strategy in this study, are: prospector, analyzer, and defender. The owner-managers provide high perception of the implementation business strategy on the wooden furniture manufacturing with an average score (3.79) .The owner-managers provide high perception of the prospector strategy than the analyzer strategy and defender strategy with an average score (3.87). Implementation prospector strategy focuses on product innovation, product line development and seek market opportunities to improve company performance.

Innovation

Innovation is referring to the act of creating new products and processes. Indicators of innovation in this research are: product innovation, process innovation, and expenditure innovation. The owner-managers provide high perception of the intensity innovation are implemented with an average score (3.82). Perception of the intensity innovation is product innovation with the highest mean score (3.87) and expenditure innovation with an average score (3.82). The intensity of product innovation implemented for product development and quality, the development of product lines to expand the market segment. The intensity of expenditure innovation

held for special skills training and employees development, procurement of machinery and equipment, and manpower outsourcing specialized expertise carpenter.

Firm performance

Firm performance is the level of achievement or financial achievement in a specific time period. Many researchers use financial approach with indicators ROI, ROA and ROS. Performance indicators used in this study are; sales growth, profit growth and asset growth. The owners-managers provide high perception on the firm performance with an average score (3.95). Perception of the firm performance is the highest profit growth with an average score (3.98) and sales growth with an average score (3.96). This perception indicated that the performance of the wooden furniture manufacturing is strongly determined by profit growth and sales growth compared then the asset growth.

Business strategy and innovation

Testing hypotheses based PLS the effect business strategy on innovation to generates path coefficient with value 0.929 and *p*-value = 0.000 < 0.05, then the hypothesis is accepted. This means that the coefficient is positive and significant pathways can be interpreted that the prospector orientation of its strategy, the higher level of innovation. Increasingly prospector strategy will be able to make the owner-managers of the wooden furniture manufacturing overcome obstacles remain focused on innovation and innovation resources to produce high innovation intensity targets. The owner-managers who are aggressive in taking advantage of each opportunity to address the changing industrial environment such as the threat of entry of new entrants and the bargaining power of consumers to maximize the resources potential of innovation and focus on innovation targets by product differentiation, product development, and entering new market segments. This result supports the study Manurung (2009) have studied in the airline industry. They have found positive and significant relationship between strategic orientation and innovation.

Business strategy and firm performance

Hypothesis testing based PLS the effect business strategy on firm performance to generates the path coefficient value 0.518 and *p*-value = 0.000<0.05, then the hypothesis is accepted. This means that the coefficient is positive and significant pathways can be interpreted that the prospector orientation of its strategy, the higher the firm performance. Furthermore, the results of this study found that ownwer-managers of the wooden furniture manufacturing proactive on the environment industry will choose the orientation prospector strategy to seek market opportunities and develop product lines through the development of product innovation, process innovation and expenditure innovation in the form of expenditures for special skills training, procurement specialized equipment, and specially skilled labor outsourcing. Owner-managers the wooden furniture manufacturing choosing prospector strategy can maximize innovation resources to increase profit growth and sales growth. This result supports the study Moore (2005) have studied in retail industry. The have found positive and significant relationship between strategic orientation and performance.

Innovation and firm performance

Testing hypotheses based PLS the effect innovation on firm performance to generates the path coefficient value 0.432 and *p*-value = 0.000 <0.05, then the hypothesis is accepted. This means that the coefficient is positive and significant pathways can be interpreted that the higher of level innovation, the higher the firm performance. Furthermore, the results of this study found that owner-managers are be able to overcome the barriers to innovation can maximize innovation resources and increase the intensity of innovation is the development of a product or improving production process technology , increase investment in research and internal development, specific skills training for employees, specially skilled labor outsourcing , held machinery and equipment associated with the production process activities. The ability of owner-managers of wooden furniture manufacturing in identifying and overcoming barriers to innovation and maximizing innovation resources will result in a product that can be accepted by the customer, which in turn is able to compete with the performance of the company above the industry average. This result supports the study Rosenbusch *et al.* (2009) they have found that innovation has a positive effect on the performance of SMEs. Marques and Ferreira (2009) they have found that innovative capacity has a positive effect on performance in a traditional industrial region of Portugal.

VI. CONCLUSION

The results of this study support all the three hypothesis. Based on the partial least square (PLS) analysis shows that business strategy have significant positive effect on innovation of small industrial sectors. Strategy orientation prospector will be able to make the owner-managers can to overcome obstacles innovation and remain focused on innovation resources to produce high innovation intensity targets. This study also found

that business strategy have significant positive effect on firm performance. Owner-managers will choose the strategy orientation prospector to seek market opportunities and develop product lines through the development of product innovation, process innovation, and expenditure innovation to can maximize innovation capabilities to increase net profit and sales. Finally, this study also found that innovation have significant positive effect on firm performance. Owner-managers are able to overcome the barriers to innovation can maximize innovation resources and increase the innovative capacity is development of product, improves technology production process, and increase investment in research and internal development will result in a product that can be accepted by the curtomer, which in turn is able to compete with the firm performance above the industry averages.

Overall, the study provides a basis modeling alternative business strategy-innovation configurations to optimize firm performance in the small industrial sector. This knowledge can assist firms in enhancing their competitiveness through implementing in their choice of strategy types and design of innovative ways for improving their firm performance.

VII. RESEARCH LIMITATION AND FUTURE STUDY

The present study has a number of limitations. First, the data analysis in this study is based on a single respondent and owner-managers self perceptive answers. Therefore, in future studies need to involve employees respondent to avoid subjectively answers about the result of innovation can enhance the firm performance. Second, this study has examine only the wooden furniture manufacturing sector of the manufacturing industry. In order to generalize the findings to the whole manufacturing industry, it needs to be ascertained whether the relationships hold good for other industry sectors as well. Finally, although the result present study support the hypothesis that partial relationship between business strategy and innovation positive effect on firm performance. Study on the nature of effect of innovation on performance have found mixed result-while some study have found a positive association between innovation and performance, some other study negative relationship. Therefore, in future studies need to confirm the moderating effect of innovation on the relationship between business strategy and firm performance to provide a clear understanding of the concepts of innovation capabilities can improve the competitive position of the firm and superior performance.

REFERENCES

[1]. Barney, J. (1991), "Firm resources and sustained competitive advantage", *Journal of Management*, Vol. 17 No.1, pp.99-120.

[2]. Barney, J. (1995), "Looking inside for competitive advantage", *Academy of Management Executive",* Vol.17 No.4,pp. 49-61.

[3]. Blumentritt, T. and Danis,W.M. (2006), "Business strategy types and innovative practices", *Journal of Managerial Issues* Vol.XVIII, No.2 (Summer), pp.274-291.

[4]. Chang, C. and Robin, S. (2008), "Public policy, innovation and total factor productivity: an application to Taiwan's manufacturing industry", *Mathematics and computers in simulation*, Vol. 79 No. 3, pp. 352-367.

[5]. Daily,C.M. McDougall Covin,J.G. and Dalton,D.R.(2002),"Governance and strategic leadership in entrepreneurial firms", *Journal of Management*, Vol.28,pp.387- 412.

[6]. Damanpour, F. and Gopalakrishnan, S (2001), "The dynamics of the adoption of product and process innovation in organization", *Journal of Management studies*, Vol. 38 No.1,pp. 45-66.

[7]. Covin,J.G. and Slevin,D.P. (1991), A conceptual model of entrepreneurship as firm behaviour. Entrepreneurship Theory and Practice, Fall,7-25.

[8]. Hair,J.F.,Black,W.C.,Babin,B.J.,and Anderson,R.E.(2010), Multivariate Data Analysis, 7th ed., Pearson Prentice- Hall, Upper Saddle River,NJ:776.

[9]. Hamel,G.(2000), Leading the revolution. Harvard Business Press,Boston,MA.

[10]. Hill, C.W.L. and Jones,G.R.(2013), Strategic Management: An Integrated Approach, 10th ed., South-Western,Cengage Learning,USA.

[11]. Hitt,M.A., Ireland,R.D., Clifford,P.G.,Coyne,K.P.(2001), "Entrepreneurial strategies for wealth creation",*Strategic Management Journal*, 22,479-491.

[12]. Kementrian Negara Koperasi dan Usaha Kecil dan Menengah, (2008), Undang-Undang RI No: 20 Tahun 2008 tentang usaha mikro, kecil dan menengah.

[13]. Lumpkin,G.T. and Dess,G.G. (1996),"Clarifying the entrepreneurial orientation construct and linking it to performance", *Academy of Management Review*, 21(1), 135-172.

[14]. Manurung, L. (2009), Peran inovasi sebagai variabel mediasi dalam model ESP (Environment Strategy Performance): Studi empiris pada industri penerbangan Indonesia. Disertasi Program Studi Ilmu Manajemen pascasarjana Fakultas Ekonomi, Universitas Indonesia.

[15]. Marquez, C.S and Ferreira, J. (2009), "SME Innovative capacity, competitive advantage and perfomance in a traditional industrial region of Portugal", *Journal of Technology Management and Innovation*, Vol. 4, Issue 4 pp. 53-68.

[16]. Miles, R.E. and Snow,C.C. (1978), Organizational Strategy, Structure, and Process, McGraw Hill,New York,NY.

[17]. Moore, M. (2005), "Towards a confirmatory model of retail strategy types : an empirical test of Miles and Snow", *Journal of Business Research*, No. 48, pp. 696-704.

[18]. Moras, E.A.,Droge, C.L.M.and Vickery,S.K.(1996), "Strategic logistics capabilities for competitive advantage and firm success",*Journal of Business Logistics*, Vol. 17, pp. 1-22.

[19]. Newbert,S. (2007), "Empirical research on the resource-based view of the firm: An assessment and suggestions for future research", *Strategic Management Journal*, 28, pp.121-146.

[20]. Oltra, M.J. and Flor, M.L.(2010), "The moderating effect of business strategy on the relationship between operations strategy and firms results", *International Journal of operations & production management*,Vol.30 No.6,pp.612-638.
[21]. Pearce, J.A. and Robinson,R.B. (2011), Strategic Management: Formulation,Implementation, and Control, 12th ed., MC Graw Hill, International Edition: 231.
[22]. Ramakrishnan, R. Black, A. Nath, P and Muylderman, L. (2010), "Impact to environmental regulations on innovation and performance in the UK industrial sector", *Journal of Management Decision*, Vol. 48 No. 10, pp. 1493-1513.
[23]. Rosenbusch, N. Brinckmann, J. Bausch, A. (2010), Is innovation always beneficial? A meta-analysis of the relationship between innovation and performance in SMEs", *Journal of Business Venturing*, JBV-05550; No of Pages 17.
[24]. Porter,M.E. (1976), "How competitive forces shape strategy", *Harvard Business Review*, Vol.57 No.2,pp.137-145.
[25]. Porter,M.E.(1996),"What is strategy?", *Harvard Business Review*, Vol. 74 No.6,pp. 61-79.
[26]. Roberts,P., and Amit,R. (2003), "The dynamic of innovative activity and competitive advantage : The case of Australian retail banking, 1981 to 1995", *Organization Science*, 14(2), pp.107-122.
[27]. Short,J.C., Ketchen,D.J.,Palmer,T.B., and Hult,G.T. (2007), "Firm, strategy group, and industry influences on performance", *Strategic Management Journal*, 28,pp.147-167.
[28]. Thompson,A.A ,and Strickland,A.J.(2004), Strategic Management,Concepts and Cases, Thirteenth Edition,MC Graw-Hill,New York,NY:55-56.
[29]. Venkatraman,N.(1990), "Performance implications of strategic coalignment: a methodological perspective", *Journal of Management Studies*, Vol.27,pp.19-41.
[30]. Wheelen, T.L and Hunger, D. C. (2004), Strategic Management and Business Policy, Ninth Edition, Pearson Prentice Hall, NJ:66-67.
[31]. Wiklund, J. (1998), "Enterpreneurial orientation a predictor of performance and behaviour in small firms: Longitudinal Evidence". Frontiers of Entrepreneurship Research. Babson College,Wellesley,MA.