MODERATING ENTREPRENEURSHIP AT CORPORATE REPUTATION IN BUSINESS PERFORMANCE USING PARTIAL LEAST SQUARE

Rusdi Hidayat N
Studies Program Business Administration, FISIP, UPN "Veteran" East Java, Surabaya, Indonesia

Bambang Widjanarko Otok
Department of Statistics, FMKSD, Institut Teknologi Sepuluh Nopember, Surabaya, Indonesia

Roy Kurniawan
Director PT. Semeru, Surabaya, Graduate School of Management Master Program, UKWM, Surabaya, Indonesia

ABSTRACT

The development of technology is a challenge in the manufacturing industry in determining the right strategy in order to survive and win the competition. The company will achieve a competitive advantage if the company can process and utilize its resources well. The purpose of this study was to determine the effect of strategic leadership, organizational culture on business performance through the company's reputation and involve entrepreneurship as moderating variable on the company's reputation. The results suggest that an approach moderating partial least square (PLS) showed that the moderation of entrepreneurship with indicators of strategic renewal and redefinition of the domain on the company's reputation with customer orientation, environmental and social responsibility indicator on business performance is a model that is fit and high accuracy based on the value of $R^2$, $Q^2$. Provide strategic leadership dominant influence on business performance. The entrepreneurship moderate reputation companies significant effect on performance that are strengthening the business. The company's reputation influenced by strategic leadership and corporate culture, and further affect the business performance indicators of profit growth and customer satisfaction.

Key words: Entrepreneurship, strategic leadership, culture, reputation, performance, moderating, PLS.
1. INTRODUCTION

Challenges in the manufacturing industry changes every year, the challenge is felt increasingly heavy line with technological developments. Companies are required to determine the appropriate strategy in order to survive and win in the competition so that the objectives of the company can be reached. Companies that constantly improve competitiveness, growth continues to advance, and oriented to the future of a successful company, is viewed from the internal side are able to generate profits and welfare of its employees, on the external side that is able to deliver added value to customers and the general public.

PT Semeru Group is the developer of the distribution network of air, spare parts, industrial equipment in Indonesia. The company therefore requires a synergy of cooperation with other parties to always get the better of the objectives agreed upon or set together, as in the company's mission is to build long-term relationships mutually beneficial to stakeholders. Companies need individuals who have an entrepreneurial spirit that can provide a lot of new ideas for the company's progress (Kurniawan, et.al., 2017). The success of an organization in achieving its objectives depends heavily on the leader and the leadership process. Leadership by Jacques and Clement (1994) is a process by which a person sets the purpose or direction for one or more people and make them work with him to achieve the objectives with competence and full commitment. In keeping with Jacques and Clement, "Strategic leadership is the ability to influence others to voluntarily a make day-to-day decisions that Enhance the long-term viability of the organization, at the same time maintaining its short-term financial stability" (Lear, 2012).

Companies need individuals who have an entrepreneurial spirit that can provide a lot of new ideas for the company's progress. Kuratko and Audretsch (2009) says: The entrepreneurial organization is one in the which managers are more inclined to take business-related risks, to favor innovation and change in advancing the organization's interests, and to Anticipate and peremptorily respond to the actions of suppliers, competitors, customers, and other publics. Entrepreneurship is a process whereby managers are more likely to take risks relating to the business, to support innovation and change in advancing the interests of the organization and to anticipate and respond to the action decisively suppliers, competitors, customers, and other public.

Some studies related to performance, entrepreneurship, reputation, among other things Nithini, (2013), suggests that the resources and internal capabilities are strategic leadership, entrepreneurship, organizational culture, and the organization's reputation can affect the affect the company's performance. Company with strategic leadership tend to achieve higher company performance and improve the company's success in its business operations. Hitt et.al. (2001) suggested strategic leadership can be a competitive advantage, which can contribute to improving the company's performance. Kitonga et al. (2016), proving that there is a significant positive relationship between the variables of strategic leadership and corporate performance. A similar study conducted by Ozer and Tinaztepe (2014),

Dimitratos et al. (2004) stated that entrepreneurship has a direct relationship to performance, while Barnett et.al (2006) which states that entrepreneurship provides a positive effect on the performance of companies in which the marketing mix as a manifestation of the
marketing tactics and marketing performance only real clue is a factor moderator. Research Hart (1992) suggested that the low entrepreneurship related to corporate performance. Mukherji et. al. (2014), shows that organizational culture significantly influence the company's performance, while Nikpour (2017), stating that the culture of the organization has no direct impact on business performance through the mediation of organizational commitment.

Inglis et al. (2006) showed that there was no relationship between the organization's reputation and performance of the company in Australia, especially financial performance. Other research Feldman et al. (2014), also said the same thing, that there is no connection between an organization's reputation and performance of companies in different industrial sectors in Peru. Opinions differ on Brammer et al. (2015) who also conduct research to analyze the relationship between an organization's reputation and performance of companies with annual survey in the UK. Research results show there is a positive relationship between the organization's reputation and performance of the company. Rose and Thomsen (2004) argued that the organization's reputation does not affect the value of the company, but the reputation of an organization can affect the performance of the stock market through profitability and growth.

and N Rusdi, et. al. (2015), The level of satisfaction of the taxpayer provides the greatest direct effect on the quality of taxpayer services on tax compliance in the field of hotel business.

This phenomenon suggests that the relationship strategic leadership, entrepreneurship, organizational culture, the organization's reputation with the company's performance is still being debated. Therefore, this study examines the indicators and variables that affect business performance and involve entrepreneurship as moderating variables, as well as the impact theoretically, which is then compiled into a theoretical model which will be evidenced by empirical data on the PT Semeru Surabaya by using PLS with centroid scheme.

2. METHODOLOGY

The data in this study using primary data in PT Semeru, obtained from the questionnaires to the manager. The sampling technique used simple random sampling, namely the sampling process by taking into account the element of chance or random sampling method and each branch has an equal chance of being drawn (Levy & Stanley, 1999; Samudro and Mangkoedihardjo, 2012). Further analysis by the method of Partial Least Square (PLS) with the following steps: (N. Rusdi, et. al. (2018); Chablullah, et.al. (2018))

1. Outer Model, including the validity of the test is seen from the loading factor, and reliability test views of the value of Composite reliability. Indicator is valid if it has a value loading factor > 0.5, and is said to be reliable if the reliability of composite values > 0.7.

2. Inner Model, this test may be the result of inner value of weight which examine the research hypothesis through bootstrap samples t test and goodness of fit models. The model can be declared to have the goodness of fit if it has a value of R-Square > 0 and the value $Q^2 = 1 - (1 - R_1^2)(1 - R_2^2) > 0.35$ giving high accuracy.

Conceptual framework is presented as follows, figure 1.
The hypothesis in this:
H1: Strategic leadership significant effect on Company reputation
H2: Organizational culture significant effect on Company reputation
H3: Strategic leadership significant effect on Business performance
H4: Organizational culture significant effect on Business performance
H5: Company reputation significant effect on Business performance
H6(1): Entrepreneurship significant effect against Business performance
H6(2): Entrepreneurship moderating Company reputation positive effect (strengthening) of the Business performance

Modeling moderating with the methods of interaction, there are two steps, first, proved that the moderating variables significantly influence business performance, while the second, if proved influential, then the variable is suspected as a moderating variable, and then performed the modeling PLS scheme centroid (Anekawati et. al. (2017), Rodliyah et.al. (2017)) involving moderating variables and interactions with variable moderating variables moderated (entrepreneurship) to business performance (N. Rusdi, et al (2018); Chablullah et.al. (2018))

3. RESULTS AND DISCUSSION

Validity test is done using confirmatory factor analysis on each of the latent variables, namely Strategic Leadership (X1), organizational culture (X2) and Corporate Reputation (Y1), Business Performance (Y2) and Entrepreneurship(Z) as the moderating effects. Reliability test used composite reliability with a minimum cut-off value is 0.7. The results of model testing complete with SmartPLS program can be seen in the following table 1:

<table>
<thead>
<tr>
<th>variables</th>
<th>Indicator</th>
<th>Convergent validity (Bootstrap = 500)</th>
<th>composite Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Loadin g Factor</td>
<td>Standa rd deviati on</td>
</tr>
<tr>
<td>Strategic leadership (X1)</td>
<td>Strategic thinking skills (X1.1)</td>
<td>0.901</td>
<td>0.006</td>
</tr>
<tr>
<td></td>
<td>Developing the potential of employees (X1.2)</td>
<td>0.966</td>
<td>0.002</td>
</tr>
<tr>
<td></td>
<td>The ability to resolve conflicts (X1.3)</td>
<td>0.941</td>
<td>0.002</td>
</tr>
</tbody>
</table>
Table 1, shows all the individual indicators latent variable has a value above the loading factor of 0.5 to T-Statistic is greater than t-table = 1.96, then it is valid and significant indicators. Furthermore, it also provides a composite value reliability above the cut-off value of 0.7, so it can be said of all latent variables reliable, Strategic leadership formed by indicators of developing the potential of employees (X1.2) (0.966), strategic thinking skills (X1.1) (0.901), ability to resolve conflicts (X1.3) (0.941); Organizational culture formed by the indicator of management support (X2.3) (0.959), commitment and personal responsibility (X2.2) (0.953), and focus on employees (X2.1) (0.890); Company reputation the dominant indicator is customer orientation (Y1.1) (0.977), environmental and social responsibility (Y1.2) (0.974), and product and service quality (Y1.3) (0.950). The dominant business performance is an indicator of earnings growth (Y2.2) (0.749), customer satisfaction (0.746) and sales growth (Y2.3) (0.713), while entrepreneurship is formed by indicators of strategic renewal (Z1.1) (0.983), domain redefinition (Z1.3) (0.918), and continuous Regeneration (Z1.2) (0.641).

The results of the original estimate and the estimation of the bootstrap, B = 500 moderating PLS (MPLS) stages - first presented in the following figure 2.

Figure 2 Effect of Strategic Leadership, Organizational Culture and Corporate Reputation on the Performance of Business and Entrepreneurship as Moderating (MPLS) Phase - 1
Testing the path coefficients in Figure 2 are presented in the following Table 2:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>Standard deviation</th>
<th>T-Statistic</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic leadership (X1) → Reputation Organization (Y1)</td>
<td>0.572</td>
<td>0.010</td>
<td>59.281</td>
<td>Significant</td>
</tr>
<tr>
<td>Organizational culture (X2) → Reputation Organization (Y1)</td>
<td>0.457</td>
<td>0.011</td>
<td>43.231</td>
<td>Significant</td>
</tr>
<tr>
<td>Strategic leadership (X1) → Business performance (Y2)</td>
<td>0.671</td>
<td>0.038</td>
<td>17.818</td>
<td>Significant</td>
</tr>
<tr>
<td>Organizational culture (X2) → Business performance (Y2)</td>
<td>0.557</td>
<td>0.054</td>
<td>10.261</td>
<td>Significant</td>
</tr>
<tr>
<td>Entrepreneurship (Z) → Business performance (Y2)</td>
<td>0.463</td>
<td>0.019</td>
<td>24.151</td>
<td>Significant</td>
</tr>
<tr>
<td>Reputation Organization (Y1) → Business performance (Y2)</td>
<td>0.271</td>
<td>0.094</td>
<td>2.887</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: Data processed

Table 2 shows the direct effect of moderating variables (entrepreneurship (Z)) on business performance and significant positive effect. It is seen from the path marked positive coefficient of 0.463 with T-Statistic a value of 24.151 larger than t-table = 1.96, which means that every increase in entrepreneurship (Z) will raise business performance (Y2) of 0.463. This suggests that entrepreneurship is suspected as a moderating variable that is strengthening the influence Reputation Organization (Y1) the performance of the business, so that it can continue modeling Phase 2. Model Moderating partial least square (MPLS) on a 2-stage variable entrepreneurship involves interaction with reputation organization with bootstrap to test the research hypotheses through t test, and bootstrap stop if the original estimate and the estimation of the bootstrap has a value approaching. The results of the original estimate and the estimation of the bootstrap, B = 500, in Phase 2 are presented in the following Figure 3.

![Figure 3 Effect of Strategic Leadership, Organizational Culture and Organizational Reputation on Corporate Performance and Entrepreneurship as Moderating (MPLS) Phase - 2](http://www.iaeme.com/IJMET/index.asp)
The test results can be seen from the complete model R-square value that describes the goodness-of-fit of the model. R-square value recommended is greater than zero. R-square value are presented in Table 3 below:

Table 3 Goodness of Fit of R-Square Modering Partial Least Square (MPLS) Phase - 2

<table>
<thead>
<tr>
<th>variables</th>
<th>R-Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic leadership (X1), organizational culture (X2) → Reputation Organization (Y1)</td>
<td>0.955</td>
</tr>
<tr>
<td>Strategic leadership (X1), organizational culture (X2), Entrepreneurship (Z), Entrepreneurship (Z) * Reputation Organization (Y1) → Business performance (Y2)</td>
<td>0.964</td>
</tr>
</tbody>
</table>

Source: Data processed.

Table 3 explains that the donation or the proportion of variable Strategic Leadership, Culture Organization (X2) on the reputation of the Organization (Y1) of 0.955; variable Strategic Leadership, Culture Organization (X3), Entrepreneurship (Z), Reputation Organization (Y1), Entrepreneurship (Z)*Reputation Organization (Y1) to business performance (Y2) a value of 0.964. The results of all the R-square value indicates that all the R-square value is greater than zero. This means that our model already meets the required Goodness of Fit.

Q Square computed values of Table 3 obtained the following results:

\[ Q^2 = 1 - ((1 - 0.955) \times (1 - 0.964)) = 0.998 \]

It can be interpreted that the model is able to explain the business performance (Y2) amounted to 99.8% and by 0.2% explained by other variables outside the model. Structural equations are presented below:

\[ Y1 = 0.572X1 + 0.458X2 \]
\[ Y2 = 0.788X1 + 0.651X2 + 0.732Z + 0.124Y1 + 0.411ZY1 \]  
(1)

with,

X1 : Strategic Leadership
X2 : Organizational culture
Z : Entrepreneurship
Y1 : Reputation organizations
ZY1 : Interaction Entrepreneurship and Reputation organizations
Y2 : Company performance

Testing the path coefficients in Figure 3 and the equation (1) in detail presented in the following table 4:

Table 4 Path Coefficient Test Results Model Modering Entrepreneurship at the Organization's Reputation on Performance Phase - 2

<table>
<thead>
<tr>
<th>Exogenous latent variables → Endogenous latent variables</th>
<th>Coefficient Original</th>
<th>Standard deviation</th>
<th>T Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic leadership (X1) → Reputation Organization (Y1)</td>
<td>0.572</td>
<td>0.017</td>
<td>33.626</td>
</tr>
<tr>
<td>Organizational culture (X2) → Reputation Organization (Y1)</td>
<td>0.458</td>
<td>0.018</td>
<td>25.222</td>
</tr>
<tr>
<td>Strategic leadership (X1) → Business performance (Y2)</td>
<td>0.788</td>
<td>0.059</td>
<td>13.460</td>
</tr>
<tr>
<td>Organizational culture (X2) → Business performance (Y2)</td>
<td>0.651</td>
<td>0.062</td>
<td>10.457</td>
</tr>
<tr>
<td>Entrepreneurship (Z) → Business performance (Y2)</td>
<td>0.732</td>
<td>0.101</td>
<td>7.221</td>
</tr>
<tr>
<td>Reputation Organization (Y1) → Business performance (Y2)</td>
<td>0.124</td>
<td>0.063</td>
<td>1.984</td>
</tr>
<tr>
<td>Entrepreneurship*Reputation organization (ZY1) → Business performance (Y2)</td>
<td>0.411</td>
<td>0.162</td>
<td>2.536</td>
</tr>
</tbody>
</table>

Source: Data processed.
Based on Table 4, it can be interpreted each hypothesis of the study, as follows:

H1: Strategic Leadership (X1) positive and significant impact on the Reputation Organization (Y1). It is seen from the path marked positive coefficient of 0.572 with T-Statistic a value of 33.626 larger than t-table = 1.96. Therefore, Strategic leadership (X1) direct effect on Reputation Organization (Y1) by 0.572, which means that every increment Strategic leadership (X1) it will raise Reputation Organization (Y1) by 0.572.

H2: Cultural organization (X2) positive and significant impact on the Reputation Organization (Y1). It is seen from the path marked positive coefficient of 0.458 with T-Statistic a value of 25.222 larger than t-table = 1.96. Therefore, Organizational culture (X2) direct effect on Reputation Organization (Y1) by 0.458, which means that every increment Organizational culture (X2) it will raise Reputation Organization (Y1) by 0.458.

H3: Strategic Leadership (X1) positive and significant impact on the Business performance (Y2). It is seen from the path marked positive coefficient of 0.788 with T-Statistic a value of 13.460 larger than t-table = 1.96. Therefore, Strategic leadership (X1) direct effect on Business performance (Y2) by 0.788, which means that every increment Strategic leadership (X1) it will raise Business performance (Y2) by 0.788. This is in line with Hitt et.al. (2001), Nithini (2013), Kitonga et. al. (2016), Ozer and Tinaztepe (2014).

H4: Cultural organization (X2) positive and significant impact on business performance (Y2). It is seen from the path marked positive coefficient of 0.651 with T-Statistic a value of 10.457 larger than t-table = 1.96. Therefore, Organizational culture (X2) direct impact on business performance (Y2) of 0.651, which means that every increment Organizational culture (X2) it will increase business performance (Y2) of 0.651. This is in line with Mukherji et. al. (2014), and Nikpour (2017).

H5: Reputation Organization (Y1) positive and significant impact on business performance (Y2). It is seen from the path marked positive coefficient of 0.124 with T-Statistic a value of 1.984 larger than t-table = 1.96. Therefore, Reputation Organization (Y1) direct impact on business performance (Y2) of 0.124, which means that every increment Reputation Organization (Y1) it will increase business performance (Y2) of 0.124. This was consistent with Brammer et.al (2015), and Rose and Thomsen (2004).

H6(1): Entrepreneurship (Z) positive and significant impact on business performance (Y2). It is seen from the path marked positive coefficient of 0.732 with T-Statistic a value of 7.221 larger than t-table = 1.96. Therefore, Entrepreneurship (Z) direct impact on business performance (Y2) of 0.732, which means that every increment Entrepreneurship (Z) it will increase business performance (Y2) of 0.732. This is in line with Dimitratos et.al. (2004), and Barnett et.al. (2006).

H6(2): Entrepreneurship*Organizational reputation (Z_Y1) positive and significant impact on business performance (Y2). It is seen from the path marked positive coefficient of 0.411 with T-Statistic a value of 2.536 larger than t-table = 1.96. Therefore, Entrepreneurship*Organizational reputation(Z_Y1) direct impact on business performance (Y2) of 0.411, which means that every increment Entrepreneurship*Organizational reputation(Z_Y1) it will increase business performance (Y2) of 0.411. Alternatively, Entrepreneurship moderating Organizational reputation significant influence that are strengthening against the business performance for 0.411. This is in line with research Chousa et al. (2016), that entrepreneurial thinking is regarded as a core value that guides reputation. Gherghina and Simionescu (2015), the relationship between entrepreneurship and corporate social responsibility is an indicator of the organization's reputation. Research results indicate a positive correlation between entrepreneurship and corporate social responsibility.
4. CONCLUSIONS

The conclusion from the data analysis and discussion are:

- Indicators that form latent variables Strategic Leadership, Organizational Culture, Organizational Reputation, Corporate Performance and Entrepreneurship is valid and significant.

- Strategic leadership formed by indicators of developing the potential of employees, strategic thinking abilities; Organizational culture formed by the indicator of management support and commitment and personal responsibility; reputation organization the dominant indicator is customer orientation and environmental and social responsibility; the dominant company performance is an indicator of earnings growth and customer satisfaction, while entrepreneurship is formed by indicators of strategic renewal and redefinition domain.

- Model performance by moderating entrepreneurial businesses on the organization's reputation is a model that fit criteria square R and Q square. Entrepreneurship moderating The company's reputation significant effect on performance that are strengthening the business. Provide strategic leadership dominant influence on business performance. The company’s reputation influenced by strategic leadership and corporate culture, and further affect business performance.

REFERENCES


Moderating Entrepreneurship at Corporate Reputation in Business Performance using Partial Least Square


http://www.iaeme.com/IJMET/index.asp 357 editor@iaeme.com


