

**The Role of Entrepreneurial Orientation in Mediating the Effect of  
Organizational Culture and Government Policy toward Business  
Performance (Case Study: *Koperasi Unit Desa* in Bali Province)**

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**Abstract**

*In several hemispheres of this globe, the common problem faced by Small and Medium Enterprises including Cooperative is lack of financial capital, shortage in human resource, weak business network and market penetration ability, less supporting business atmosphere, lack of business media and infrastructures, short product lifetime, and limited market access. Meanwhile, national culture is known as a culture which continuously grows and develops in a society who lives in particular region and always influences work and organizational values. This research is aimed to reveal whether organizational culture constructed by one of the local cultures in Indonesia, particularly in Bali which is called as Catur Purusartha. This concept is rooted from Hinduism perspective which states that the objective of life is a balance between physical and spiritual aspects. Catur Purusartha and local government policy related to the cooperative, micro, small, and medium enterprises empowerment are able to influence entrepreneurial orientation and KUD (Village Cooperative System)'s performance in Bali Province. A survey on 73 managers or commissioners of 73 KUDs in Bali Province demonstrates that Catur Purusartha culture significantly affects managers or commissioners' entrepreneurial orientation which in turn also influences KUD's business performance. Government role is also proven to be able to influence KUD's business performance.*

**Keywords:** *Organizational culture, Catur Purusartha, government policy, performance, entrepreneurial orientation, KUD (Village Cooperative System).*

## 1. Background

In several hemispheres of this globe, the common problem faced by Small and Medium Enterprises as well as Cooperative is lack of financial capital, shortage in human resources, weak business network and market penetration ability, less-supporting business atmosphere, lack of business media and infrastructures, short product lifetime, and limited market access (Hash, 2004). To create favorable business atmosphere which is able to improve micro, small, medium and medium enterprises (MSME) as well as cooperative, government takes pivotal role to guarantee and protect the MSMEs and cooperative's to be able to compete (Chen, 2006; Chowdury, 2007). In macro perspective, government role in supervising and developing entrepreneurial culture affects the creation and the definition of the entrepreneurial orientation profile (Moore in Bygrave, 1995).

Related to the entrepreneurial orientation, Todorovic and Ma (2008) observed the role of entrepreneurial orientation toward business performance in cross-cultural perspective. The result discussed that the values of national culture has significant effect on entrepreneurial orientation. Entrepreneurial orientation is inseparable from society's cultural values which are defined as habits, norms, customs that are taken generation to generation in particular region. The existing difference among societies causes difference on individual's entrepreneurship behavior (Schaper, 2002). According to Schein (2004), culture is perceived as a power that influences all aspects in organization's activities. Hofstede *et.al.*(2010) also stated that national culture will always influence work values in an organization. Taliziduhu (2005) added that organizational culture will always be influenced by the environment to where the organization exists.

Mueller and Thomas (2001) stated that cultural attributes can cause strong effect in forming entrepreneurial behavior. Furthermore, it was explained that national culture is responsible to encourage an individual to get bounded to uncommon behavior for individual behavior and different national culture. Hence if national culture influences strategic orientation presented by an organization, there is a possibility for national culture to influence entrepreneurial orientation level of an organization in overall as well. Thus, culture is an important aspect that can drive entrepreneurial orientation.

Even most of the research demonstrates that organizational culture difference will result in different entrepreneurial orientation, there are some research that find in a different way. Mueller and Thomas (2001) who studied entrepreneurial perception and individual performance of the native ethnic of The U.S. and immigrant population found empirical evidence that there was no difference on both entrepreneurial perception and performance among those ethnics. This result is on the contrary with common perception as ethnic was perceived as the critical factor which influenced organizational performance.

Considering the discussion above, it is clear that organizational culture and government policy are the variables which affect entrepreneurial orientation; in turn, those variables will influence business performance. Prior research commonly was conducted in western culture context and in huge business enterprises. Specific research related to the role of national culture adopted from local culture is only a few. Not only referring to empirical facts previously, Gorda (2006) also mentioned that management practice adopted in Indonesia is western management mainstream which only considers merely worldliness aspects (individualism, capitalism, and profanes); thus, this research is aimed to know whether *Catur Purusartha* organizational culture, as concept rooted from Hinduism perspective which states that the objective of an individual is a balance between worldliness and spirituality, and local

government policy in MSME and cooperative empowerment affect entrepreneurial orientation and performance of the *Koperasi Unit Desa* (KUD (Village Cooperative System)) in Bali Province.

## 2. Theoretical Review

Government has a strategic position to develop and empower MSME. Some of former research that studied the relationship between government role and performance had been conducted by Nordholt (1996), Üçbaşaran (2004), Chen (2006), and Chowdhury (2007). Nordholt (1996) showed that the modest role of kings and Netherland colonial government in Bali during 1650 – 1940 in encouraging entrepreneurial spirit of local population by applying monopoly practice and giving the right to monopoly strategic commodities such as agriculture and farming products only for Chinese (Tionghoa) ethnic. Chen (2006) who observed the history of micro, small and medium enterprises (MSME) development in China concluded that market had fundamental role on the MSME's effort in allocating its resources. Chen also mentioned that government had crucial role to protect SME for making it developed in competitive environment with large business. In addition, Chowdhury (2007) observed government role from the aspects of political stability and law enforcement, infrastructure improvement, corruption prevention, education and training, as well as financial support.

From the perspective of the relationship between culture and individual's or a group of people's entrepreneurial characteristic, Kojo (2003) researched in five South Pacific countries such as Papua Nuguinea, West Samoa, Tonga, Fiji, and Cook islands; it was found that business in those five countries was the extended interest of particular clan or group. Entrepreneurs as the members of a clan are responsible for other members. Entrepreneur successfulness is measured not only from economics perspective, but also his ability to put a balance between clan's interest and business competition.

Chand and Ghorbani (2011) in their research entitled "*National culture, networks and ethnic entrepreneurship: A comparison of the Indian and Chinese immigrants in the US*" combined conceptual framework of national culture and entrepreneurship management among immigrants in the U.S.". The analysis utilized Hofstede and Globe scales to measure the cultural dimensions of Indian and Chinese immigrants in the U.S. It was concluded that those immigrant communities commonly had different way of gathering and using social capital to start and run business venture that they owned. The diversity appeared in several motives of establishing new business venture and human resource practices; the diversity also came up from the different cultural background of each ethnic.

To measure dimensions that construct entrepreneurial orientation, Kreiser *et.al.* (2010) obtained a proper model as entrepreneurial orientation is measured through innovativeness, proactive, and risk dimension. It is due to entrepreneurial orientation reflect how far the business growth which is triggered by market opportunity identification and orientation that have not yet been taken. Lim (2002) also stated that entrepreneurial orientation dimensions which consisted of autonomy, risk, innovativeness, and compete aggressively positively influenced business performance. The research concluded that entrepreneurial orientation significantly influenced business performance. Through entrepreneurial orientation of the owners or officers, a business entity can be perceived that it had made innovation, ready to take risk, and proactively acted. According to Covn and Slevin (1988), entrepreneurial orientation was represented by how far the top manager was willing to take risk related to the business (risk dimension), supported change and innovation in order to obtain competitive advantage for their business (innovation dimension), and aggressively competed with other organizations (proactive dimension).

The Balinese philosophy in the balance of life is known as the concept of *Tri Hita Karana* (THK) consisting of harmonious relationship between human and the God (*parahyangan*), human and human (*pawongan*) and human and environment (*palemahan*). The harmonious is maintained merely to achieve the objective of their life including physical and spiritual welfare (long-lasting peace). *Tri Hita Karana* (THK) is a concept which is philosophically becomes the foundation of region development in Bali based on the Local Government Regulation Num.9/2009 about Medium Term Development Plan of Local Region in Bali Province. Therefore, *Tri Hita Karana* and *Catur Purusartha* are the parts of national culture. The concept of life objective is elaborated in *Catur Purusartha* (CP). The lesson in *Catur Purusartha* is in Brahma Purana Book (Nala, 1991) which means that there are four objectives in life: *dharma*, *arta*, *kama*, and *moksa*. The concept of *Catur Purusartha* contains a meaning of how to look for harmonious life which is not merely seek physical wealth but also to achieve eternal happiness.

In accordance to Hofstede (2010) who stated that national culture will always influence job and organization values, Schein (2004) also mentioned that culture is one of the force that influence all of the organization's activities. Referring to Taliziduhu's (2005) view, organizational culture will always be influenced by the environment to where the organization exists. Robbins (1996) also said that organizational culture is a shared perception which is hold by the members of an organization and become a system and shared meaning; thus, the concept of *Catur Purusartha* is an organizational culture of the Balinese in Bali.

### 3. Method

Research object is all of the KUD (Village Cooperative System) which are in agriculture sector located in Bali Province; the total population of active KUD (Village Cooperative System) which is officially recorded in 2012 is 73 units. Through saturated sampling technique, an individual (manager or officer) of each KUD (Village Cooperative System) is chosen as the research respondent and asked about his opinion related to the statements listed in pre-determined questionnaire.

There are 4 latent variables such as organizational culture, government policy, entrepreneurial orientation, and business performance of KUD (Village Cooperative System). *Catur Purusartha* organizational culture is operated through four dimensions: *Dharma*, *Artha*, *Kama*, and *Moksa* (Pudja, 1981; Nala, 1991; Gorda, 2006). Government role is reflected in two dimensions: distributive policy and regulative policy (Birkland, 2001). Entrepreneurial orientation is observed through three dimensions: degree of innovativeness, proactive attitude, and dare to take business risk among managers and commissioners of KUD (Village Cooperative System) (Miller, 1983; Covin and Slevin, 1989; Lumpkin and Dess, 1996; Vitale *et.al.*, 2002; Kehl *et.al.*, 2007). KUD (Village Cooperative System) business performance is operated through six dimensions: active business institution, healthy business performance, cohesiveness and participation of its members, service toward its members, service toward society, and contribution on local development. The six dimensions are developed from the Regulation of Ministry of Cooperative and SME Num. 22/ 2007 about Cooperative Ranking Guidelines.

Considered from its role on the constructed structural equation modeling, organizational culture and government policy are exogenous variables; meanwhile, performance is the endogenous variable. Particularly for entrepreneurial orientation variable, it has dual roles. Related to the two exogenous variables previously, entrepreneurial orientation is a latent endogenous variable; whereas, if it is related to business performance, entrepreneurial orientation will be a latent exogenous variable.

The overall dimensions that construct the four main variables are then operated into questionnaire's statement items. Each of the statement is measured by using five scale of Likert which 1 represents respondent's most negative answer meanwhile 5 represents respondent's most positive response. Before questionnaire is utilized, the validity of each statement including its reliability are checked by putting it on a trial to 30 respondents. The statement items are valid if it has correlation coefficient value at least 0.3 (Churchill, 1979); besides, each of the constructing dimension is called reliable if it has Alpha coefficient value at least 0.7 (Nunnally, 1975). After the questionnaire is verified for its validity and reliability, the data collection process is initialized to 146 respondents. In addition, the research hypotheses are:

H<sub>1</sub> : Organizational culture constructed by *Catur Purusartha* (CP) values positively affects business performance;

H<sub>2</sub> : Increasing government policy support will positively influence business performance;

H<sub>3</sub> : Entrepreneurial orientation mediates the role of organizational culture on business performance, and;

H<sub>4</sub> : Entrepreneurial orientation mediates the role of government policy on business performance

Next, the obtained data are analyzed by using Partial Least Square Path Modeling (PLS-PM). The statistical method of PLS-PM is an alternative solving method for compound model which does not require huge sample number. The foundation to consider the use of PLS-PM model instead of variance-based SEM such as AMOS or LISREL is the limitation on the huge sample assumption, normal distribution of multivariate data, indicators should be reflexive, model must be based on theory, and indeterminacy requirement (Imam Ghozali, 2008).

#### 4. Result and Discussion

From the 77 returned questionnaires, it is noted that the useable questionnaires for further analysis are 73 questionnaires due to 4 others are not completely answered. The uncompleted questionnaires are eliminated as the level of significance of the parameters in structural equation modeling conducted through bootstrapping technique does not support if there is any missing data.

From the 15 dimensions that build the four research variables: *Catur Purusartha* (four dimensions) as the embodiment of organizational culture latent variable, government policy (two dimensions), entrepreneurial orientation (three dimensions), and KUD (Village Cooperative System) business performance (six dimensions), the overall dimensions have Cronbach alpha score beyond 0.7. It does not only check the reliability of the embodying dimensions but also verify its validity. Test during instrument trial (n=30) verifies that all of the statements gain Pearson correlation score above 0.3. It verifies the validity of the overall statement items. Considering the dimensions and embodying items that attain fit reliability and validity, the obtained data are proper to be analyzed. The structural equation modeling used in this research is second order structural equation modeling; and the data analysis software is SmartPLS 2.0 M3 (Ringle *et.al.*, 2005).

The analysis result reveals that all of the reflective latent variables of the measurement models have average variance extracted (AVE) score beyond 0.5. Referring to the cut-off value of AVE which is 0.5 (Fornell & Larcker, 1981), the four latent variables are valid to be used. The composite reliability score of each reflective latent variable of the model also demonstrates value more than 0.7 as the minimum score that is assumed as proper threshold for validity check on a latent variable of a SEM model (Chin *et.al.*,

2003). Therefore, the indicators and the reflective latent variables of the model have good convergence validity. The significance of the model is measured by using bootstrapping technique as presented in the following figure:

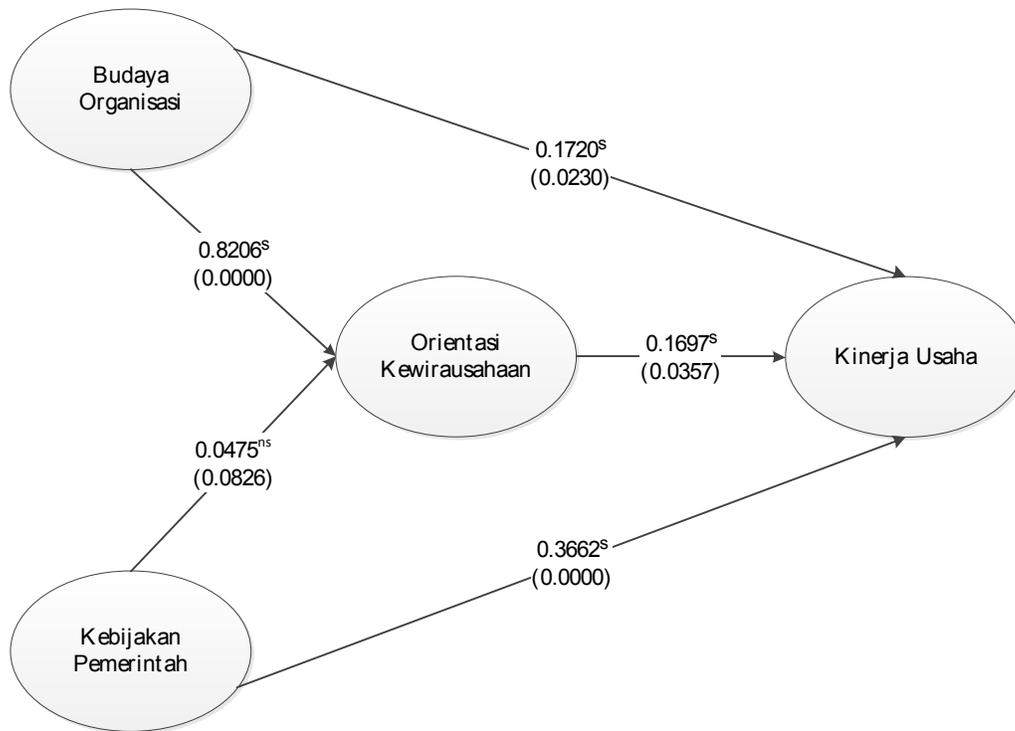


Figure 1. Research Model

Description : the number in the bracket shows its significance

<sup>s</sup> : real path coefficient at  $\alpha = 5$  percent

<sup>ns</sup> : quasi path coefficient at  $\alpha = 5$  percent

Based on the Fig.1, it is observed that from the five path coefficients embodied between two latent variables, there is one path coefficient which is not significant; the path correlates between government policy and entrepreneurial orientation. Meanwhile, other four path coefficients demonstrate level of significance which is lower than  $\alpha$  (5 percent).

Considering the model fit from two sides (inner and outer models), then the analysis result of the structural equation modeling that is built is utilized to check the proposed research hypotheses. The hypothesis test is conducted by checking the level of significance of the correlated path coefficients with t-test. The t-statistic score is obtained through bootstrapping technique on the model; the bootstrapping parameters are: no sign change, cases = 500, and samples = 200. The parameters identification refers to Hair *et.al.* (2012). The following table displays the t-test result of the proposed hypothesis.

Table 1  
Path Coefficient, t-statistic, and Significance (p) of the Hypothesis

No	Latent Variable			Path Coefficient	t statistic	Significance	Description
	Independent	Mediation	Dependent				
1	Organizational Culture	-	KUD Business Performance	0,1720	2,4576	0,023	Significant
2	Government Policy	-	KUD Business Performance	0,3662	10,2883	0,000	Significant
3	Organizational Culture	Entrepreneurial Orientation	KUD Business Performance	0,3113	8,4521	0,000	Significant
4	Government Policy	Entrepreneurial Orientation	KUD Business Performance	0,3743	10,8198	0,000	Significant

Source : Research Data (2012)

In Table 1 shows the total effect of organizational culture on business performance significantly by 0.1720, it shows that number 1 is accepted since the implementation of *Catur Purusartha* as the local organizational culture of KUD (Village Cooperative System) in Bali Province is able to positively influence KUD (Village Cooperative System) business performance.

In addition, the path coefficient between government policy and KUD (Village Cooperative System) business performance which score 0.3366 is the real evidence of the positive and significant correlation. It confirms that government policy positively influences KUD (Village Cooperative System) business performance ( $H_2$  is accepted).

To examine the significant mediation role of entrepreneurial orientation variable on the relationship between organizational culture and government policy toward KUD (Village Cooperative System) business performance, it is conducted by checking the significance of the direct effect (the effect of independent variable on its dependent variable) and the indirect effect (the effect of independent variable on its dependent variable through mediating variable). The significance of direct and indirect effects of organizational culture toward business performance through entrepreneurial orientation as the mediating variable are presented in figure 2

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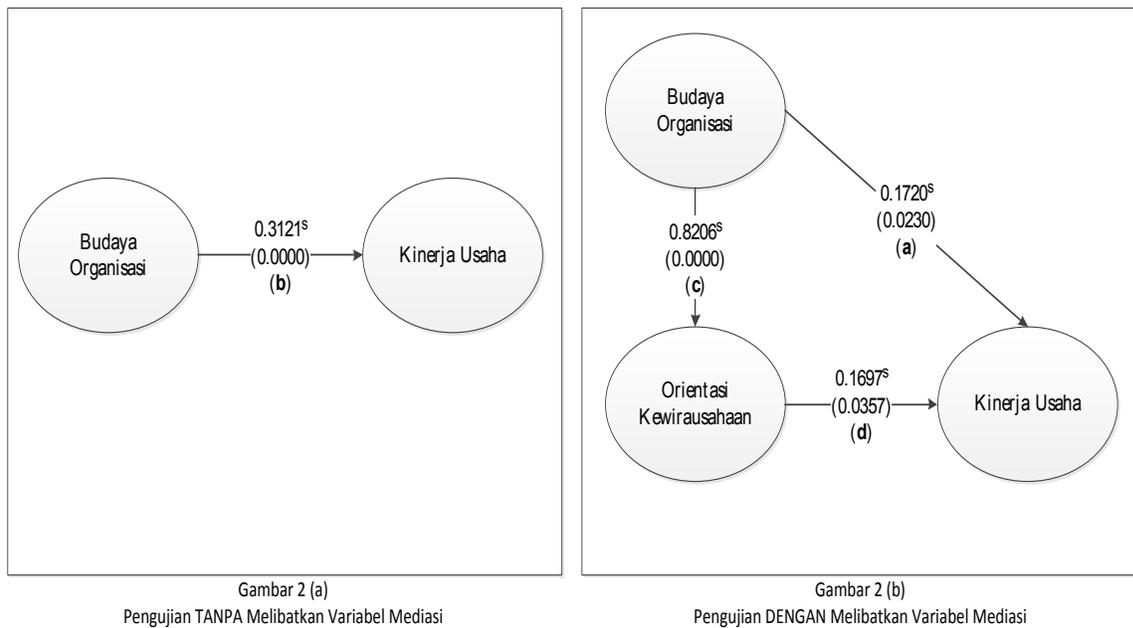


Figure 2. The Mediation Role of Entrepreneurial Orientation on the Relationship between Organizational Culture and Business Performance

In Fig.2 (a and b), there are four path coefficients; each is presented with the *p*-value which is used to check the mediation role of entrepreneurial orientation variable:

1. Significance of **a** which scores 0,3113 is 0,0000 (significant);
2. Significance of **b** which scores 0,1720 is 0,0230 (significant);
3. Significance of **c** which scores 0.8206 is 0.0000 (significant);
4. Significance of **d** which scores 0.1697 is 0.0357 (significant).

Significance and t-statistic check for this hypothesis confirms that entrepreneurial orientation has exact partial mediation on the relationship between organizational culture and business performance. Therefore, hypothesis 3 ( $H_3$ ) which states that entrepreneurial orientation mediates the effect of organizational culture on business performance is accepted. The acceptance on hypothesis 3 proves that organizational culture does not only have a direct effect on business performance but also have an indirect effect through the mediation of entrepreneurial orientation. Besides, it is proven that organizational culture has significant effect on entrepreneurial orientation from the managers or officers of the observed KUD (Village Cooperative System).

To examine the mediation role of entrepreneurial orientation on the relationship between government policy as the exogenous variable and business performance as endogenous variable, it is conducted through the test on hypothesis 4. The test on hypothesis four is conducted by using similar steps as testing the hypothesis three. The significance of direct and indirect effects of government policy on business performance through the mediation role of entrepreneurial orientation are presented in Figure.3.

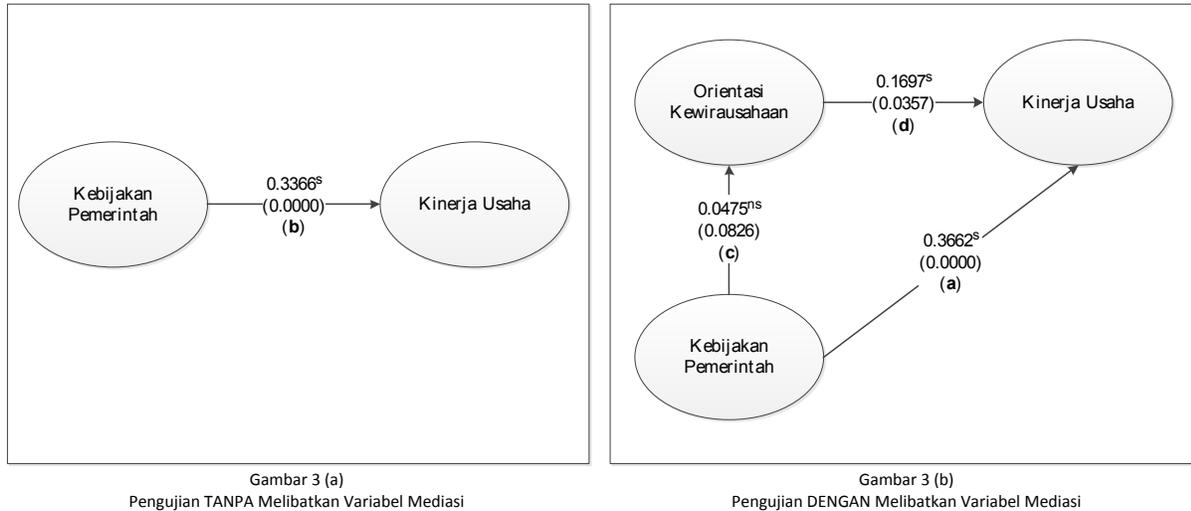


Figure 3. The Mediation Role of Entrepreneurial Orientation on the Relationship between Government Policy and Business Performance

In Fig.3 (a and b) there four path coefficients; each is presented with its *p*-value which is used to check the mediation role of entrepreneurial orientation:

1. The significance of **a** which scores 0,3743 is 0,0000 (significant);
2. The significance **b** which scores 0,3662 is 0,0000 (significant);
3. The significance **c** which scores 0,0475 is 0,0826 (not significant);
4. The significance **d** which scores 0,1697 is 0,0357 (significant).

Considering that the effect of government role on entrepreneurial orientation is artificial (**c** is not significant), there is no evidence that entrepreneurial orientation mediates the effect of government policy on KUD (Village Cooperative System) business performance. Therefore, hypothesis four is not accepted. It proves that entrepreneurial orientation of the managers or officers of KUD (Village Cooperative System) in Bali Province is not able to mediate the role of government policy as the exogenous variable and business performance as endogenous variable of that model. Government policy only has a direct effect on business performance but does not significantly influence entrepreneurial orientation of the KUD (Village Cooperative System)'s managers or officers.

The significant effect of organizational culture on KUD (Village Cooperative System) business performance in Bali Province is not in accordance with the research result conducted by Crisman and McMullan (2002) which stated that ethnic difference, causing cultural values difference, did not influence entrepreneurship perception and business performance. Conversely, Chand and Ghorbani (2011) concluded that immigrant communities of Chinese and Indian ethnics in The U.S. which have different culture also diverse in their way of collecting and utilizing social capital as well as in human resource practices in business practice which influence business performance; Chand and Ghorbani (2011) research is supported by this research.

In a study which observed the role of organizational culture on business performance, the result demonstrated that organizational culture is able to significantly influence KUD (Village Cooperative System) business performance which is measured by using 6 performance indicators. In a direct

relationship between organizational culture and business performance, without the mediation role of entrepreneurial orientation, even there is a real mediation effect, the path coefficient between organizational culture and business performance is 0,1720 with level of significance less than 5 percent ( $p$ -value = 0,023). It shows that *Catur Purusartha* as the organizational culture has lower effect than the role of government policy which obtains path coefficient of 0,3662. It is due to the unbalance condition among indicators which measure the performance business performance of KUD (Village Cooperative System) that emphasizes on materialistic or physical aspects with the dimensions which construct organizational culture that balance between physical needs (*Artha* and *Kama*) and spiritual needs (*Dharma* and *Moksa*). Also, the dominant role of spiritual needs than physical needs on the organizational culture dimensions causes greater unbalance among indicators which measure organizational culture and KUD's (Village Cooperative System) business performance in Bali Province.

The significant role of government policy on business performance is relevant with another research result from Vitale *et.al.* (2002) which demonstrated that entrepreneurial orientation and government policy provided significant contribution on the business profit improvement. It is also relevant with Lee and Tsang (2004) finding which mentioned that government policy had strategic influence on business performance. Perceived from the relationship between government policy as the exogenous variable and entrepreneurial orientation as well KUD (Village Cooperative System) business performance as endogenous variables, it reveals that government policy significantly influences KUD (Village Cooperative System) business performance as endogenous variable; thus, government policy clearly affects business performance but its role is not significant toward entrepreneurial orientation of the KUD's managers and commissioners in Bali Province. It indicates that government distributive regulation and policy are not yet able to encourage entrepreneurial orientation of KUD's managers and commissioners in Bali Province.

Entrepreneurial orientation latent variable is the only variable which has dual roles: as an exogenous variable it correlates to KUD's business performance and as mediation variable toward the effect of organizational culture and government policy on business performance. Considering its role as exogenous variable, entrepreneurial orientation has significant effect on business performance; better entrepreneurial orientation of the managers or officers of KUD (Village Cooperative System) results in better business performance of the KUD (Village Cooperative System) that they manage. This finding is relevant with some prior findings which stated that entrepreneurial orientation of the business owner will be able to improve the performance of his business (Vitale *et.al.* 2002; Lee and Tsang, 2001).

In reviewing the relationship among indicators that construct entrepreneurial orientation, as stated by Kreiser *et.al.* (2010), national culture significantly contributes on the organization's willingness to actively get involved in business activity which contains risk and proactive behavior of the organization. It shows the dominant effect of spiritual needs fulfillment dimension than physical or material needs dimension which construct *Catur Purusartha* organizational dimension. It can be comprehended that dare to take risk indicator is perceived by the managers or officers of KUD (Village Cooperative System) as moderate effect with the lowest loading score. Competition and dare to take risk in business tend to be materialistic than spiritual. The commissioners or managers of KUD (Village Cooperative System) are not always able to optimally conduct market opportunity identification and exploitation which reflect their entrepreneurial orientation just like what Kreiser *et.al.* (2010) and Baker & Sinkula (2005) stated.

Perceived from the mediation role, the mediating effect of this variable toward the relationship between government policy and KUD's business performance shows not significant effect. It is proven by the path coefficient score of 0.0826. When the role of government policy on entrepreneurial orientation is not significant (0.0475 with  $p$ -value = 0.0826), the effect of government role and entrepreneurial orientation toward business performance is significant. This condition implies that there is no mediation role of entrepreneurial orientation toward the relationship between government policy and business performance. It indicates that government policy is not yet synergized with entrepreneurial orientation of the managers or commissioners of KUD (Village Cooperative System). Referring to the in-depth interview result with some of the KUD's managers or commissioners, one of the causes of failed synergy is the existing business atmosphere is not yet conducive even it is regulated by the government through a set of regulation and policy as the President Instruction Num.4/1984 was aborted but Local Government Regulation Num.3/2012 is not yet widely informed and applied; furthermore, the assistantship and supervision of KUD's human resource by government is not effective as well.

## 5. Conclusion and Suggestion

There are some important things as the conclusions of this research:

1. Organizational culture which is arranged based on the *Catur Purusartha* philosophy (*Dharma*, *Artha*, *Kama*, and *Moksa*) significantly influences entrepreneurial orientation of the KUD's managers or officers in Bali Province. The improvement on the implementation of *Catur Purusartha* is proven to be able to improve the entrepreneurial orientation of the KUD's managers or officers. Organizational culture is also confirmed its significant role on business performance even the effect is not greater than the role of government policy toward the performance of KUD (Village Cooperative System) in Bali Province. It is due to the less-harmonious relationship among the foundations of *Catur Purusartha* and the reflective dimensions of KUD (Village Cooperative System) business performance. The concept of *Catur Purusartha* which becomes the philosophical view of population in Bali perceives the importance of balance condition between physical and spiritual needs fulfillment.
2. Government policy is clearly confirmed its role on KUD's business performance in Bali Province. The improvement on the quality of distributive and regulative policies of the government is able to encourage improvement on the business performance of KUD (Village Cooperative System). However, both of the policies are functioned as the reflection of the local government policy in KUD (Village Cooperative System) empowerment and strengthening which do not have significant effect on the improvement of entrepreneurial orientation among KUD's managers or officers.
3. Entrepreneurial orientation reflected into innovativeness, proactive, and courage to take risk in business is proven to be able to significantly improve KUD's business performance in Bali Province. If it is compared to the role of government policy and organizational culture, entrepreneurial orientation has the lowest effect. The moderate and the highest effects on KUD's business performance come from organizational culture and government policy respectively.
4. The mediation role of entrepreneurial orientation of the KUD's managers or officers toward the relationship between organizational culture and business performance is significant even it has low coefficient compared to the relationship without the mediation role of entrepreneurial orientation. It demonstrates that the concept of *Catur Purusartha* as the *adiluhung* (valueable) local values in Bali

cannot be synchronized to the dimensions of entrepreneurial orientation adopted from Western management theory.

5. The mediation role of entrepreneurial orientation toward the relationship between government policy and KUD's business performance is not significant. It implies that entrepreneurial orientation does not have significant mediation role toward the relationship between government policy and KUD's business performance. It also proves that there is not synergy between manager's or officer's entrepreneurial orientation and government policy, particularly related to the human resource empowerment and assistantship programs.

The observed limitations of this research provide chance for conducting further research; the limitations of this research are:

1. It needs to elaborate more comprehensively related to the dimensions of KUD's business performance dimensions in Bali Province. Business performance in fact is not enough to be measured merely based on physical needs fulfillment tendency. For instance, the satisfaction of the cooperative's members is one of the dimensions that can be used as the dimension of the KUD's business performance.
2. To embody the positive mediation role of entrepreneurial orientation on organizational culture arranged from *Catur Purusartha* toward business performance, it requires further research to refine the dimensions of entrepreneurial orientation which can be synergized with organizational culture and business performance dimensions which are build harmoniously between physical and spiritual needs fulfillment.
3. It is suggested to the managers or officers to consider more on the business health dimension of the KUD (Village Cooperative System). KUD (Village Cooperative System) business health is the most crucial aspect in managing a cooperative since in this dimension, it is related to management of working capital management, financial supply ability, asset, business volume, production capacity, and ability to generate profit. Thus, the aspect of business health should obtain main attention from the management of a cooperative as well as other aspects.
4. The managers and commissioners of KUD (Village Cooperative System) are suggested to improve their courage in managing the KUD (Village Cooperative System) they lead, particularly for pricing policy indicator. It is also suggested to consider courage to take risk and pricing policy indicators which are placed in the lowest level among the three dimensions of entrepreneurial orientation.

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