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USING STRUCTURAL EQUATION MODELING TO ASSESS THE BUDGET HOTEL PERFORMANCE IN BALI INDONESIA

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ABSTRACT

Using the dynamic capability framework, this study examined the direct impact of entrepreneurial orientation, resource flexibility, and organizational learning on firm performance. The indirect impact was also examined using competitive intelligence as a mediator. Data processing was performed using Structural Equation Modeling (SEM). The data were collected from 257 budget hotels in Bali. The results showed that resource flexibility and organizational learning variable had a significant effect on performance. Meanwhile, competitive intelligence was proven to have no mediation function.

Key words: Entrepreneurial Orientation, Resource Flexibility, Organizational Learning, Firm Performance, Dynamic Capability

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INTRODUCTION

Tourism sector has long been recognized to significantly contribute to the economic growth of a country or region. However, the data from Bali Central Statistics Agency in 2012 show that the contribution of tourism sector, particularly hotel, still extremely fluctuate. On the other hand, the data from Bali Tourism Office in 2011 show that several budget hotels stop operating. Therefore, this study aims to idenstify the factors capable of increasing firm performance, with the object of budget hotels in Bali, Indonesia. Using dynamic capability framework, this study proposes two variables in the form of entrepreneurial orientation and resource flexibility predicted to affect firm performance. The framework emphasizes on the importance of companies' ability to be proactive and challenging to the environmental flows (Teece, Pisano, & Shuen, 1997).

In addition, this study aims to examine the role of the mediator in the influence of entrepreneurial orientation and resource flexibility on firm performance. The examination becomes important since previous studies have found the inconsistent effects of entrepreneurial

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orientation and resource flexibility on firm performance. For instance, in previous studies, the relationship between entrepreneurial orientation on firm performance is found in positive (Awang, Ashgar, & Subari, 2010; Wiklund & Shepherd, 2005), while it is found insignificant in other studies (Frank, Kessler, & Fink 2010; Moreno & Casillas, 2008; Runyan, Droge, & Swinney, 2008; Stam & Elfring, 2008). Similarly, the effect of resource flexibility on firm performance is revealed to be direct and indirect (Ketkar & Sett, 2010). Other studies also reveal that merely certain dimensions of the human resource flexibility improve firm performance (Ngo & Loi, 2008).

In this study, the mediating variable is competitive intelligence. This variable is selected since it enables opportunities gained from the process of entrepreneurial orientation and resource flexibility to be better identified and increase competitive advantage (Cappel & Boone, 1995). Thus, competitive intelligence in this study is expected to mediate the effects of entrepreneurial orientation and resource flexibility on performance. In addition, organizational learning variable is tested in this study. There are few studies examining organizational learning in the context of SMEs (Michna, 2009). This variable is predicted to have more effects on competitive intelligence since organizational learning enables companies to explore and exploit information during the process of competitive intelligence (March, 1991).

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Entrepreneurial Orientation, Competitive Intelligence, and Firm Performance

Entrepreneurial orientation is interpreted as thought, tendency, and interest of entrepreneurialbased company (Covin & Lumpkin, 2011), and is considered depicting managerial skills to be aggressive and proactive in order to achieve benefits for the company (Atuahene-Gima & Ko, 2001). There are varied results related to the role of entrepreneurial orientation to firm success or performance. The significant role of entrepreneurial orientation on performance is found by Rauch, Wiklund, and Lumpkin (2009), Su, Xie, and Li (2011), Smart and Conant (1994). Lumpkin, Birgham, and Moss (2010) find that the dimension of risk taking and competitive aggressiveness has a negative impact on the long-term firm performance.

The effect of entrepreneurial orientation on performance is able to be explained through its dimensions. Miller (2011) reveals that the company with entrepreneurial character is able to innovate and perform better than the competitors. Dimensions owned by entrepreneurial-oriented company, such as proactive attitude and competitive aggressiveness, help the company to anticipate market demand in the future, and to beat competitors (Lumpkin & Dess, 2001). Autonomy helps the company to perform an action without organizational limitation, thereby increasing the level of firm initiative (Lumpkin & Dess, 1996). Other dimensions, such as risk taking and innovation, facilitate the company growth (Rosenbusch, Brinckmann, Bausch & 2011). Therefore, a company with a good performance is expected to have an entrepreneurial orientation.

H1: Entrepreneurial orientation significantly influences firm performance.

Competitive intelligence as a proposed mediator in this study is defined as a the efforts of the company to define, collect, analyze, and distribute information related to products, customers, competitors, and other information in the environment (Parker & Nitse, 2005). In connection with the entrepreneurial orientation, competitive intelligence helps entrepreneurial-oriented company to achieve the goal of finding opportunities. The ability to observe changes and scan business environments helps the company to anticipate customer needs (Blocker, 2007). This is in line with Lumpkin and Dess (1996) stating that a company is able to create competitive advantage if the company is able to anticipate changes in the environment.

On the other hand, entrepreneurial orientation is expected to influence competitive intelligence. The ability to collect and obtain information is influenced by several entrepreneurial-oriented characters, including proactive attitude and attitude to take risks. As competitive intelligence has a great potential to help the company to anticipate, entrepreneurial-oriented company is predicted to more easily achieve optimal performance through competitive intelligence.

H2: Entrepreneurial orientation significantly influences competitive intelligence.

H3: Competitive intelligence mediates the relationship between entrepreneurial orientation and performance.

Resource Flexibility, Competitive Intelligence, and Firm Performance

Resource flexibility refers to the firm ability to reallocate resources responding to changes (Eriksson, Nummela, & Saarenketo, 2014). Celuch, Murphy, and Callaway (2007) provide a view that a firm should be more flexible for the sake of development capabilities. In empirical studies, resource flexibility is found to have an influence on several variables, including uncertainty received by the firm (Malhotra & Ritzman, 1990), commitment of competitor (Cestone & Fumagalli, 2005), and ability in finding strategic resources (Combs, Ketchen, Ireland, & Webb, 2011).

In relation to the performance, the flexibility of the company will help the company to gain the skills needed to meet market demand (Ferdinand & Stone, 2013) including the volume and variety model fulfillment requested in the market (Esturilho & Esotorilio, 2010). Companies capable of fulfilling the needs of the market compared to competitors are expected to have better performance. Moreover, resource flexibility is able to solve the problem of scarcity (Vairaktarakis, 2003) and to fill new market opportunities (Combs et al., 2011). Therefore, it is estimated that the company possessing resource flexibility will be superior compared to competitors, and is expected to improve the firm performance.

H4: Resource flexibility significantly influences firm performance.

The role of resource flexibility also instigates another question concerning its ability to have direct or indirect influence on performance. Noda and Bower (1996) reveal that the conceptualization of the strategy is one of resource allocation. Competitive intelligence is one company strategy, while the resource allocation is one effort to achieve resource flexibility. Therefore, the achievement of competitive intelligence will require resource flexibility. Toit (2003) supports the statement by stating that the firm success is influenced by the ability of collecting information requiring flexibility associated with intelligence. Companies with flexible resources will more easily find competitive intelligence development requires resource management ability and organizational commitment. In summary, companies with resource flexibility is estimated to affect competitive intelligence.

H5: Resource flexibility significantly influences competitive intelligence.

To understand the mediation function of competitive intelligence for the influence of resource flexibility on performance, an explanation regarding the relationship between resource flexibility and competitive intelligence is required. The process of competitive intelligence achievement of a company requires an ability to analyze the superior (Kahaner, 1996), an ability to form positive value than merely ordinary information (Drucker, 1998). Companies with flexible resource are estimated to be better in fulfilling the needs of value-added analysis and achievement of a competitive intelligence.

In addition, the achievement of competitive intelligence requires the ability to allocate time (Jaworski, MacInnis, & Kohli, 2002). Inadequate time allocation will reduce the success of competitive intelligence information (Cyert & March, 1963). The allocation is able to be accommodated by resource flexibility (Daniels, Mazzola, & Shi, 2004). Thus, resource flexibility is estimated to affect the ability of the company to achieve competitive intelligence. **H6**: Competitive intelligence mediates the influence of resource flexibility on firm performance.

Organizational Learning and Competitive Intelligence

Organizational learning refers to the process of creation, preservation, and knowledge transfer in an organization (Olivera & Argote, 1999). Companies use organizational learning to develop organizational capability (Wang, 2008). The learning is dynamic with the ultimate goal of resources and capability development (Lopez, Peon, & Ordas, 2005).

In connection with competitive intelligence, organizational learning enables companies to explore and exploit the required information in competitive intelligence (March, 1991). In addition, Choo (2001) states that organizational ability is influenced by organizational learning to scan and adapt to the environment. This is reasonable since in the process of achieving a competitive intelligence, a company requires a set of capabilities and attitudes including the ability to use technology (Rouach & Santi, 2001). Therefore, it is assumed that organizational learning influences competitive intelligence of a company.

H7: Organizational learning significantly influences competitive intelligence.

Competitive Intelligence and Firm Performance

Tej Adidam, Banerjee, and Shukla (2012) find that competitive intelligence influences financial performance of a company. In addition, Jaworski and Wee (1992) find that competitive intelligence helps the companies to build internal relationships, to develop higher quality of strategic planning, and to achieve insight of business environment. The three variables are proven to affect and improve performance. Daft, Sormunen, and Parks (1988) find that high-performing companies are likely to be more frequent in scanning the environment compared to lower-performing companies.

The influence of competitive intelligence on performance is able to be explained through its dimensions. Lin and Piercy (2013) reveal that forecasting is a good strategy to achieve performance. In addition, Fairoz, Hirobumi, and Tanaka (2010) find that companies actively scanning the environment have a good business performance. Furthermore, Herring (1992) reveals that competitive intelligence helps companies to provide a picture of the companies' environment, to predict the future of companies' environment, and to provide a challenge. The configuration of all indicators supports the company strategy (Cappel & Boone, 1995), and helps the company to perform better. Thus, it is predicted that companies with a competitive intelligence have more opportunities to achieve optimal performance.



H8: Competitive intelligence significantly influences firm performance.

Figure 1 Research Framework

EO = Entrepreneurial Orientation LO = Organizational Learning RF = Resource Flexibility KAI = Competitive Intelligence FP = Firm Performance

Method

This study was conducted in budget hotels in Bali. The consideration of selecting the budget hotels includes tourism sector as the mainstay of the Bali province; the phenomenon of the collapsing hotels in Bali; the lack of implementation of strategies in budget hotels since most hotels are managed by the owner who is also the founder of the company.

Based on the directory of starred hotels and budget hotels (Bali Tourism Office, 2011), there were 1,036 budget hotels in nine districts of the city. There was a great opportunity to obtain a representative sample since there were relatively many budget hotels. The sample was selected using convenience sampling method if the hotels listed in the directory were not found, or the hotel manager was not willing to participate. There were 384 distributed questionnaires to fulfill the terms of minimum sample.

Data Analysis Technique

The data were processed using structural equation modeling (SEM). Validity testing was conducted using confirmatory factor analysis. The indicators used as a measure of research were indicators with a loading factor >0.3 and p value < 0.05 (Hair, Black, Babin, & Anderson, 2014).

Measurement

Entrepreneurial orientation refers to the behavior of companies including innovative, proactive, willing to take risks (Miller, 2011), and having autonomy and competitive aggressiveness (Lumpkin & Dess, 1996). There were four dimensions used to measure the variable of entrepreneurial orientation including innovative, proactive, willing to take risks, and having autonomy as proposed by Covin and Slevin (1989); Lumpkin and Dess (1996). The validity testing results showed that all items in this variable met the criteria of goodness of fit model (figure 2) and had met the criteria of validity testing (table 1 and table 2).



Figure 2 Confirmatory Factor Analysis Model of Entrepreneurial Orientation

			Estimate	S.E.	C.R.	Р	Label
Inov	<	EO	1.000				
Proa	<	EO	1.072	.119	9.013	***	par_1
Risk	<	EO	.608	.092	6.613	***	par_2
Auto	<	EO	.584	.094	6.219	***	par_3

 Table 1 Validity Testing of Entrepreneurial Orientation

Table	2 Stan	dardized	Regression	Weights	of Entrep	preneurial	Orientation

			Estimate
Inov	<	EO	.750
Proa	<	EO	<u>.794</u>
Risk	<	EO	.548
Auto	<	EO	.512

Organizational learning refers to the character of the organization in providing the facility of learning process in the organization (Fernández-Mesa & Alegre-Vidal, 2013). The variable was measured using four items, including new technique, sharing, aspiration, and commitment, as developed by Fernández-Mesa and Alegre-Vidal (2013). The validity testing results showed that all items in the variable met the criteria of goodness of fit model (figure 3) and had met the criteria of validity testing (table 3 and table 4).



prob=,582 GFI=,997 CFI=1,000 TLI=1,008 RMSEA=,000

Figure 3 Confirmatory Factor Analysis Model of Organizational Learning

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			Estimate	S.E.	C.R.	Р	Label
Commit	<	LO	1.000				
Aspi	<	LO	1.038	.091	11.348	***	par_1
Share	<	LO	.828	.083	9.986	***	par_2
Pract	<	LO	1.021	.091	11.158	***	par_3

Table 3 Validity Testing of Organizational Learning

Table 4 Standardized Regression Weights of Organizational Learning

			Estimate
Commit	<	LO	.765
Aspi	<	LO	<u>.821</u>
Share	<	LO	.706
Pract	<	LO	.802

Flexibility resources refer to the ability of the company to utilize, allocate, reallocate, and adapt to the changes in a dynamic environment (Eriksson et al., 2014; Ferdinand & Stone, 2013; Fernández-Pérez, Verdú-Jover & Benitez- Amado, 2013). The variable was measured using four items, including utilization, allocation, reallocation, and adaptation (Eriksson et al., 2014; Ferdinand & Stone, 2013; Fernández-Pérez et al., 2013). The validity testing results showed that all items in the variable met the criteria of goodness of fit model (figure 4) and had met the criteria of validity testing (table 5 and table 6).



Chi-Square=2,020 prob=,364 GFI=,995 CFI=1,000 TLI=1,000 RMSEA=,007

Figure 4 Confirmatory Factor Analysis Model of Resource Flexibility

			Estimate	S.E.	C.R.	Р	Label
Util	<	RF	1.000				
Aloc	<	RF	1.025	.070	14.578	***	par_1
Realo	<	RF	.871	.068	12.804	***	par_2
Adop	<	RF	1.027	.072	14.253	***	par_3

Table 5 Validity Testing of Resource Flexibility

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			ESTIMATE
UTIL	<	RF	.853
ALOC	<	RF	.852
REALO	<	RF	.768
Adop	<	RF	.825

 Table 6 Standardized Regression Weights of Resource Flexibility

Competitive Intelligence refers to the ability of the company to collect, process and store information used to form the future of the company and protect the company from the threat of competition (Rouach & Santi, 2001). The variable was measured using four items, including framing, gathering, forecasting, and scanning (Boutin, 2011; Yu, 2012). The validity testing results showed that all items in the variable met the criteria of goodness of fit model (figure 5) and had met the criteria of validity testing (table 7 and table 8).



Chi-Square=,201 prob=,904 GFI=1,000 CFI=1,000 TLI=1,018 RMSEA=,000

Figure 5 Confirmatory Factor Analysis Model of Competitive Intelligence

			Estimate	S.E.	C.R.	Р	Label
Frame	<	CI	1.000				
Gathe	<	CI	.643	.095	6.771	***	par_1
Forec	<	CI	.998	.091	10.946	***	par_2
Scan	<	CI	1.062	.092	11.589	***	par_3

 Table 7 Validity Testing of Competitive Intelligence

Table 8 Standardized Regression Weights of Competitive Intelligence

			Estimate
Frame	<	CI	.794
Gathe	<	KAI	<u>.489</u>
Forec	<	KAI	.771
Scan	<	KAI	.837

Company performance refers to the performance of small and medium enterprises (Wiklund, 1999). The variable was measured using four items, including Sgrow, Pgrow, Agrow, and Mgrow (Wiklund, 1999; Rauch, Frese, and Utsch, 2005). The validity testing results showed that all items in the variable met the criteria of goodness of fit model (figure 6) and had met the criteria of validity testing (table 9 and table 10).



Chi-Square=1,895 prob=,388 GFI=,995 CFI=1,000 TLI=1,001 RMSEA=,000

Figure 6 Confirmatory Factor Analysis Model of Firm Performance

			Estimate	S.E.	C.R.	Р	Label
Sgrow	<	FP	1.000				
Pgrow	<	FP	1.152	.089	12.936	***	par_1
Agrow	<	FP	.983	.083	11.876	***	par_2
Mgrow	<	FP	.613	<u>.092</u>	6.686	***	par_3

Table 9 Validity Testing of Firm Performance

Table 10 Standardized Regression Weights of Firm Performance

			Estimate
Sgrow	<	FP	.806
Pgrow	<	FP	.871
Agrow	<	FP	.789
Mgrow	<	FP	.475

Result

The next step was forming theoretical models as in figure 7. This step was to estimate the structural model, to test the normality and fitness, and to obtain a model fit.



Figure 7 Research Structural Model

Normality Testing

Table 11 Multivariate Testing of Normality Assess	ment of normality (Group number 1)
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Variable	min	max	skew	CR	kurtosis	CR
Mgrow	4.000	9.000	283	-1.681	618	-1.835
Agrow	4.000	9.000	255	-1.518	052	156
Pgrow	5.000	9.000	115	686	740	-2.200
Sgrow	4.000	10.000	156	924	182	541
Scan	4.000	10.000	106	633	.316	.941
Forec	4.000	9.000	197	-1.170	.223	.662
Gathe	4.000	9.000	379	-2.253	227	676
Frame	4.000	9.000	167	992	.142	.422
Util	4.000	9.000	285	-1.696	085	254
Aloc	5.000	9.000	267	-1.590	486	-1.445
Realo	4.000	9.000	368	-2.190	108	321
Adop	4.000	9.000	222	-1.321	378	-1.124
Commit	5.000	9.000	311	-1.851	344	-1.021
Aspi	4.000	9.000	198	-1.176	122	361
Share	4.000	9.000	204	-1.215	196	582
Pract	5.000	9.000	100	594	709	-2.108
Inov	4.000	9.000	377	-2.241	217	645
Proa	4.000	9.000	216	-1.286	560	-1.665
Risk	4.000	8.000	342	-2.034	170	505
Auto	4.000	9.000	606	-3.604	.009	.027
Multivariate					17.522	4.300

Based on table 11, the value of multivariate CR is 40.336 or > 3, meaning that the distribution of the data in the research model is abnormal. There are several ways to solve this problem including by eliminating the outlier, using a more resistant estimation technique to abnormal data (GLS, ULS, ADF), and using the estimation technique of bootstrapping method.

In this study, GLS estimation method and bootstrapping technique were used. Elimination of outlier was not conducted since it would reduce a lot of research data (up to 100 data, as in the results of the analysis of outlier data table SEM). The use of estimation technique GLS was proposed by Lomax (1989), stating that estimation technique of distribution free and estimation of considered procedure (ADF, WLS, GLS) is able to be used if investigators find abnormal distribution.

Furthermore, the use of bootstrapping method on Maximum Likelihood was based on the theory proposed by Boomsma (2000), Hair, Anderson, Tatham and Black (1998), stating that the estimation model using Maximum Likelihood (ML) is very sensitive to the abnormal data distribution (Hair et al, 1998). If the data are abnormal, bootstrapping technique may be used in Maximum Likelihood (Boomsma, 2000). Therefore, this study used a bootstrapping technique in Maximum Likelihood method to analyze the data.

Goodness of Fit Model Testing

Figure 8 is the diagram of estimation model testing using bootstrapping technique in Maximum Likelihood method.



Figure 8 Estimation Model Testing Using Bootstrapping Technique in Maximum Likelihood Method (bootstrapping 500 data, BC Confidence level 95)

Table 12 Goodness of Fit Model Testing Result after Path Addition	n
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No.	Goodness of Fit Index	Cut off Value (base)	Value	
1	Chi - Square	< 7.814 (p = 0.05. df = 3)	201.240	Not Fit
2	Significance Probability	> 0.05	0.025	Not Fit
3	RMSEA	< 0.08	0.033	Fit
4	TLI	> 0.90	0.856	Marginal Fit
5	GFI	> 0.90	0.905	Fit
6	CFI	> 0.90	0.876	Marginal Fit

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Based on table 12, the model had met several criteria for the goodness of fit models, and several criteria were at the limit of marginal fit. Therefore, the model should not be modified.

Estimation Result of Model

The following are the results of the estimation model using estimation General Least Square (GLS) technique.

 Table 13 Regression Weight on Estimate (without Bootstrapping) Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	Р	Label
KAI	<	LO	.431	.124	3.486	***	par_1
KAI	<	EO	.537	.176	3.041	.002	par_4
KAI	<	RF	.210	.083	2.546	.011	par_6
FP	<	KAI	.358	.093	3.855	***	par_2
FP	<	EO	066	.175	375	.708	par_3
FP	<	RF	.281	.083	3.374	***	par_5

Table 14 Standardized Regression Weights: (Group number 1 - Default model)

			Estimate
KAI	<	LO	.327
KAI	<	EO	.323
KAI	<	RF	.214
FP	<	KAI	.371
FP	<	EO	<u>041</u>
FP	<	RF	.297

Based on the estimation results on Table 13 and Table 14, the same results were obtained from the estimation with and without bootstrapping method. However, the p value and estimate value used to test the hypotheses in this study were the estimation results of SEM analysis with the bootstrapping method, since at the beginning of the normality testing the data did not meet the normality assumption.

Hypothesis testing of Direct Effect

 Table 15 Regression Weight on Bootstrapping Standardized Regression Weights: (Group number 1 - Default model)

Parameter		Estimate	Lower	Upper	Р	
KAI	<	LO	.327	.100	.520	.026
KAI	<	EO	.323	.155	.473	.007
KAI	<	RF	.214	.057	.404	.023
FP	<	KAI	.371	.189	.603	.004
FP	<	EO	041	390	.163	.615
FP	<	RF	.297	.068	.454	.035

Based on the analysis, hypothesis 1, stating that entrepreneurial orientation significantly influences firm performance, was rejected. This was indicated by the p value= 0.615 with estimate value = -0.041. This meant that entrepreneurial orientation had a negative and insignificant influence on firm performance. Hypothesis 2, stating that entrepreneurial orientation significantly influences competitive intelligence, was accepted (p value = 0.007 with

estimate value = 0.323). The analysis showed that entrepreneurial orientation had a positive and significant influence on competitive intelligence.

Hypothesis 4, stating that resource flexibility significantly influences firm performance, was accepted (p value = 0.035 with estimate value = 0.297). The analysis indicated that resource flexibility had a significant and positive effect on firm performance. In addition, hypothesis 5, stating that resource flexibility significantly influences competitive intelligence, was accepted (p value= 0.023 with estimate value = 0.214). This meant that resource flexibility had a significant and positive influence on competitive intelligence

Hypothesis 7, stating that organizational learning significantly influences competitive intelligence, was accepted (p value = 0.026 with estimate value = 0.1327). This indicated that organizational learning had a positive and significant effect on competitive intelligence. Hypothesis 8, stating that competitive intelligence significantly influences firm performance, was accepted (p value = 0.004 with estimate value = 0.371). The analysis indicated that competitive intelligence had a positive and significant influence firm performance.

Hypothesis testing of Indirect Effect

Table 16 and 17 show the direct and indirect effects of all exogenous and endogenous variables through KAI intervening variable.

			-		
	RF	EO	LO	KAI	FP
KAI	.210	.537	.431	.000	.000
FP	.281	066	.000	.358	.000

 Table 16 Direct Influence (Group number 1 - Default model)

	RF	EO	LO	KAI	FP
KAI	.000	.000	.000	.000	.000
FP	.075	.192	.155	.000	.000

Table 16 shows that the direct influence of entrepreneurial orientation (EO) on firm performance (FP) is -0.066. Meanwhile, the indirect influence of entrepreneurial orientation (EO) on firm performance (FP) through competitive intelligence is 0.192 (table 17). Although the direct influence value was less than the indirect influence, the influence of entrepreneurial orientation was insignificant on firm performance. One criterion that should be met for mediation function is the significant influence of the independent variable on the dependent variable (Baron & Kenny, 1986). The analysis indicated that competitive intelligence failed to mediate the influence of entrepreneurial orientation on firm performance. Therefore, hypothesis 3 was rejected.

On the other hand, the analysis shows that the direct influence of resource flexibility (RF) variable on firm performance (FP) is 0.281 (Table 17). Meanwhile, the influence of resource flexibility variable (RF) on firm performance (FP) through competitive intelligence is 0.075. As the value of the direct influence was greater than the value of the indirect influence, there was no mediation function of competitive intelligence. In other words, the influence of resource flexibility on firm performance was direct without the mediation of competitive intelligence. Therefore, hypothesis 6 was rejected.

DISCUSSION

This study supports previous studies stating that resource flexibility, organizational learning, and competitive intelligence significantly influence performance. In addition, this study supports the concept of dynamic capability, stating that proactivity improves the performance of firms, especially small-sized firms with various limitations (Borch & Madsen, 2007).

Through resource flexibility, SMEs are able to adjust to the existing needs and improve the quality of the competition (Hua, Chatterjee, & Kang-kang, 2009). Resource flexibility also allows the firm to operate more efficiently in order to provide a response to the demand, and meet the challenges of competition (Daugherty & Pittman, 1995). In addition, through organizational learning, SMEs are able to explore and exploit the existing opportunity and to manage uncertainty in the environment (Zhao, Li, Yee, & Chen, 2011). Organizational learning is also able to help firms to create value (Wang, 2008).

Through competitive intelligence, SMEs are able to be more attentive and responsive to changes in the environment (Tarraf & Molz, 2006). Competitive intelligence is also able to help SMEs to transform the received information into knowledge (Tej Adidam, Banerjee, & Shukla, 2012), subsequently to be used as a source of competition.

In this research, entrepreneurial orientation was found to have no significant influence on performance. This finding was predicted to have a factor from the internal condition and the character of SMEs. Theoretically, strategic planning is a form of the articulation of the emerged vision and orientation in a company (Mintzberg, 1994). In connection with entrepreneurial orientation, Hitt, Ireland, Camp, & Sexton (2001) support the findings of Mintzberg. Hitt et al.(2001).revealing that a strategic resource becomes an important influence on entrepreneurial orientation. However, smaller companies face difficulty, or are likely to have no plan and solid strategic thinking (Stonehouse & Pemberton, 2002).

SMEs characters that are likely to be centralized to the owner or the leaders might also be a cause of the lack of strategic planning resulting in the insignificant influence on entrepreneurial orientation. Based on the upper echelon theory, the company is a representation of leaders (Hambrick & Mason, 1984). Furthermore, strategic decisions taken by the leaders are the result of various factors including environmental and internal factors (Hambrick & Mason, 1984; Hambrick, 2007). The theory is supported by O'Regan and Ghobadian (2002) stating that ownership becomes an important aspect and a source of failure of effective strategic planning.

However, Wang, Walker, and Redmond (2007) reveal that the majority of SMEs does not conduct a strategic planning since the leaders consider that the strategic planning has no value. In other words, the business owner is considered to have no aspiration and motivation positioned as an important part of strategic planning for the company. Stonehouse and Pemberton (2002) state that although small companies realize the significance of strategic planning, the technical planning used of the planning is still low.

CONCLUSION

This study aims to reveal the phenomenon of the failure of SMEs in achieving optimal performance. This study examines the direct and indirect relationships of the variables as the factors influencing firm performance. Generally, this study is consistent with previous research stating that entrepreneurial orientation has no role on the performance or success of the company. The variable of resource flexibility and competitive intelligence are found to be another important factor in determining the performance of SMEs in Indonesia, especially Bali. Another finding is related to the role of organizational learning on performance that is able to be an initiator for further studies in the context of Indonesian SMEs.

Using Structural Equation Modeling To Assess The Budget Hotel Performance In Bali Indonesia

Futurestudies should examine the variables in more diverse industries and different areas. The increasing number is expected to provide further insight and better results related to the generalization of the study.

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