



The Effect of Organizational Culture on Entrepreneurship Characteristics and Competitive Advantage of Small and Medium Catering Enterprises in Makassar

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ABSTRACT

This research aimed to examine, analyze, and explain empirically the effect of organizational culture on entrepreneurship characteristics and competitive advantage of small and medium catering enterprises in Makassar. This research is an explanatory research that tested the hypothesis by investigating the effect of organizational culture on entrepreneurship characteristics and competitive advantage of small and medium catering enterprises in Makassar. This research used survey method with cross-sectional data collection through questionnaires. The samples were selected using simple random sampling with the size of 200 employees. Data analysis method used in testing the hypothesis of this research was structural equation modeling. The findings of this research reveal that organizational culture has a positive and significant effect on entrepreneurship characteristics and organizational culture has a positive and significant effect on competitive advantage of small and medium catering enterprises in Makassar.

Keywords: Organizational Culture, Entrepreneurship Characteristics, Competitive Advantage

JEL Classifications: L2, L26

1. INTRODUCTION

The empowerment of small and medium enterprises (SMEs) is an integral part of national development, which aims to realize a just and prosperous society. In the field of economic development, the 1945 constitution explicitly emphasizes that the implementation of economy is structured as a joint effort based on the principle of kinship (Article 33, Section 1) and the enforcement of the national economy is based on the economic democracy (Article 33, Section 4). In this case, the empowerment of SMEs is directly related to the life and increased prosperity for the vast majority of the Indonesian people (pro-poor). In addition, the potential and the strategic role of SMEs have been proven to be the strength and support of the national economic growth (pro-growth). The existence of SMEs that is dominant as national economic actors is also a vital subject in development, especially in expanding opportunities for new entrepreneurs and in employment absorption and in reducing unemployment (pro-job).

In light of the above, SMEs play a role as a strategic force and have an important position not only in the employment and social welfare. In many cases, SMEs become a social adhesive that stabilizes social imbalances and have a flexibility in facing crisis due to the high content of the production factors both in the use of raw materials and human resources. In addition, SMEs are generally based on the broad needs and have a competitive advantage (Tambunan, 2007).

Apart from that, to encourage alliances between business areas with different levels of business scale, not least the food and beverage business, the concept of mutual benefit is one of many strategies to build a competitive advantage. Wheelen and Hunger (1986) remarked that business business alliance is a strategic competitive advantage that is built on the principle of mutualistic relationship performed by two or more companies to acquire technology that can access a specific market, to reduce financial risk, to lower political risk, as well as to achieve or to guarantee a competitive advantage.

In the catering sector, the most dominant influence is the organizational culture and entrepreneurship characteristics, as well as its relationship to competitive advantage. Organizational culture then becomes the main characteristic or identity of the organization that is nurtured and maintained. A strong culture is a powerful tool to guide behavior because it helps employees to do a better job. Then, every employee at the beginning of his career needs to understand the culture and how that culture is implemented (Robbins and Judge, 2008).

A study conducted by (Ramadan and Eng, 2010) provides an empirical evidence that organizational culture significantly influence competitive advantage. The evidence presented in this study recommends that companies consider the business model that invests in the number of training hours per year for each employee and increases the percentage of employees productivity in participating in the the work team.

Based on the description above, the purpose of this study was to investigate the effect of organizational culture on entrepreneurship characteristics and competitive advantage. Organizational culture is a system of meanings, values and beliefs that are shared within an organization that becomes a satisfactory reference, control and understanding of the culture of an organization, which is a key responsibility of the leader, as well as a vital tool for management to achieve high performance and maintain shareholder value. The condition of an organization is greatly influenced by its entrepreneurship characteristics that is critical to build attitudes and behavior of entrepreneurs in creating a competitive advantage.

2. LITERATURE REVIEW

This study investigates the relationship between several construct variables, which is based on a theoretical approach that deals with the notion and concept of research variables, namely: Organizational culture, entrepreneurship characteristics and competitive advantage of SMEs. The theoretical construct used with regard to this research are: Grand theory, middle range theory, and applied theory.

2.1. Grand Theory

The theoretical basis of this research is started from the general theories (Grand Theory) consisting of organizational behavior theory and entrepreneurship theory. Both theories explain human development in terms of human attitudes and behavior in the organization environment. Organizational behavior theory is a discipline that examines the behavior of individuals within the organization based on two basic components, namely individuals and formal organization. Individuals are associated with behaviors, while the organization is the medium of the behaviors itself. The scope of the study of organizational behavior theory in this research is limited to the internal dimensions of an organization, which includes aspects of organizational behavior discipline: Organizational culture, human resource development, entrepreneurship characteristics and competitive advantage as the purpose of the organization (Wagner and Hollenbeck, 2014).

2.2. Middle Range Theory

Middle range theory in this research employed an approach of entrepreneurship theory, which investigates entrepreneurship characteristics related to personality, which is oriented towards attitude, personality, individual behavior, desires and beliefs in different areas or activities (Ajzen, 2005).

2.3. Applied Theory

Applied theories in this research consists of organizational culture theory, entrepreneurship characteristics, and competitive advantage theory. The theory construction is presented in the following chart.

2.4. The Concept of Organizational Culture

The term “culture” initially emerged from the discipline of anthropology. Anthropologists use “culture” to describe the uniqueness of a community compared with other communities, and why the behavior of a community can survive from one generation to the next. However, in the early 80s, the word “culture” was associated with the word “organization” known as “organizational culture.” In the theory of organization, the term “organizational culture” is used to explain why the characteristics of an organization are different from the characteristics of other organizations. In the same way, in the organizational behavior theory, organizational culture can have an influence on attitudes and behavior of the members of the organization. Organizational culture can be considered one of the key that can drive organizational success.

Schein (2010) conceptualized the organizational culture as a building concept, which consists of three levels, namely;

- a. Basic assumption, the form of man’s relationship to what is in their environment, nature, plants, animals, humans, the relationship itself, and the other things as it could mean a philosophy (belief), which is something that can not be seen by the eye but is believed that the culture exists.
- b. Value, related to acts or behavior so that value can be measured by a change or through social consensus (social agreement).
- c. Artifact, something that is abandoned or something that could be seen but is difficult to imitate; it could be in the form of technology, art, or something that can be heard.

An understanding of the organizational culture is also addressed by (Kormondy and Brown, 1998) that organizational culture is a form of beliefs, values, and ways that can be learned to cope with and live within the organization, where the manifestation of the organizational culture tends to be realized by the organization’s members. In general, large organizations have a dominant culture and a number of sub-dominant cultures. The strength of organizational culture can be measured by the extent to which the culture is believed by all members, and the extent to which members of the organization believe it. The more intense the culture of the organization is, the stronger its effect on all levels that the culture is a self manifestation, which affects not only the attitudes of the employees but also the values, assumptions and beliefs of the employees.

Denison (1990) in their study in major industries (Detroit Edison, Procter and Gamble, People Xpress Air, Medrotionic and Texas

Commerce Bancshares) in the USA proved that organizational culture characterized by involvement, consistency, adaptability and mission affects the effectiveness of an organization. These indicators can be explained as follows.

2.4.1. Involvement

It is a cultural dimension that indicates the level of participation of members of the organization in the decision making process. The involvement of members in helping the organization achieve the integration of internal resources by creating a sense of ownership and responsibility as involvement also emphasizes flexibility and creativity. The employees' commitment to their duty and their feeling of becoming a part of the organization. This occurs because individuals at all levels feel that they have at least some suggestions on the decisions that will affect their work as it is directly linked to the organizational goals.

2.4.2. Consistency

It is the level of agreement of members of the organization to the basic assumptions and core values of the organization. Consistency is also considered essential to achieve internal integration that is based on the ability to facilitate, coordinate activities, where consistency also emphasizes stability. Consistency refers to the existence of the organization's system and process that promote harmony and efficiency over time. Organizations are more effective if members of the organization are consistent and well integrated. It is derived from an agreement of which compliance is high.

2.4.3. Adaptability

It is the ability of an organization to respond to changes in the external environment by making internal changes within the organization. Adaptability of the organization is driven by the desire of users (customers), willingness to take risks and learn from mistakes, and the ability to make changes. Members of the organization continuously change the internal system so as to obtain collective ability to provide value to the organization's users (customers).

2.4.4. Mission

It is a dimension that shows the core purpose of the organization, making the organization's members persistent and the focus on what is considered important by the organization. Mission here emphasizes stability and direction, and helps the organization to manage relations with the outside world. Successful organizations have clear objectives and direction, which define the strategic goals and objectives, and reveal a vision of how the organization predicts it will be in the future.

2.5. Entrepreneurship Characteristics

Entrepreneurship is a creative and innovative capability which is used as the base, tips and resources to seek out opportunities for success. Some management literatures provide three dimensions of organizational tendency for entrepreneurial management process, namely innovation ability, ability to take risks, and proactive nature (Weerawardena, 2003); entrepreneurship is known as a new approach in the novelty of a company's performance. This certainly must be responded positively by the company trying to

rise from the economic downturn as a result of a prolonged crisis. Entrepreneurship is touted as "spearhead" to achieve economic growth that is sustainable and highly competitive for the company. Building entrepreneurship is believed to be one of the four pillars in strengthening employment. Meanwhile, entrepreneurship itself refers to a human activity with the exertion of mind or body to achieve/create employment that can realize noble human beings. In other words, entrepreneurship means the superiority of a man in generating a job for his own self or for others. People who engage in entrepreneurship are called entrepreneurs. The form of the application of entrepreneurial attitudes may be linked to an entrepreneurial orientation with the indication of innovation ability, of being proactive, and of ability to take risks (Van Looy et al., 2003).

Pro-activity of a person to strive achievement is another indication of the application of entrepreneurial orientation personally. Similarly, when a company emphasizes pro-activity in its business activities, the company has been doing entrepreneurial activities that will automatically encourage high performance (Weerawardena, 2003).

According to Kotler (2003), entrepreneurial marketing is a unified concept in this era full of change. Entrepreneurial marketing as an activity to proactively identify efforts to attain and maintain customer benefits through innovative approaches to risk management, resource effectiveness, and value development.

2.6. Competitive Advantage

Competitive advantage is the ability of a company to achieve a higher profit than its competitors in the market in the same industry. Companies with a competitive advantage have always had the ability to understand the changes in the market structure and the ability to choose an effective marketing strategy. A study conducted by Porter stipulates generic strategies, which are classified into three, namely cost leadership, differentiation, and focus (Peters et al., 1982).

Furthermore, according to Peters et al. (1982), competitive advantage can not be understood by looking at a company as a whole, but through the origin of the competitive advantage itself, which includes a number of different activities undertaken by the company in designing, producing, marketing, delivering and supporting its products. Each of these activities can support the company's relative cost position and create a basis for differentiation. From the statements of the experts mentioned above, it can be concluded that a competitive advantage is an advantage over competitors by offering a set of advantages of the company or its product so that it can be accepted by the market, where competitive advantage comes from many different activities undertaken by the company. Furthermore, competitive strategy (competitive strategy is also called Porter's five forces) of a company, Michael E. Porter introduces three types of strategies, namely cost leadership, differentiation, and focus.

Competitive advantage according to Barney (2001) includes all assets such as expertise, organizational process, attributes, information and knowledge possessed by the company and those

that make the company able to create and implement strategies to improve efficiency and effectiveness. (Dessler, 2009) stated that “competitive advantage is any factor that allows an organization to differentiate its product or service from those of its competitor to increase market share.”

Meanwhile, Gunnigle and Moore (1994) remarked that “competitive advantage can be defined as any factor that allows an organization to differentiate its products or service from its competitors to increase market share.” Bernardin (2002) pointed out that “competitive advantage refers to the ability of an organization to formulate strategies to exploit profitable opportunities, thereby maximizing its return on investment. Two major principles perceived by the customer are value and uniqueness; describing the extent to which a business has a competitive advantage.”

3. RESEARCH METHOD

This research is an explanatory research that tested the hypothesis by investigating the effect of organizational culture on entrepreneurship characteristics and competitive advantage of small and medium catering enterprises in Makassar. The population in this study involves Catering managers and their employees in some Catering enterprises spread in sub-district/city of Makassar with a total population of 148 units and around 400 employees. The sample in this study was determined by using Slovin’s formula (Sekaran, 2003). In this case, 200 participants were selected as the sample.

4. RESULTS AND DISCUSSION

This research examined the relationship between several variables including exogenous variable, intervening variable, and endogenous variable, each of which is referred to a construct variable. The exogenous variable is cultural organization, the intervening variable is entrepreneurship characteristics, and the endogenous variable is competitive advantage. Assessment of each variable was done by distributing questionnaires related to attitudes and behavior of the catering managers in running their business. The relationship of each variable to the manifest or dimension variables was assessed to determine the amount of its contribution in forming the variables studied. As for determining the contribution of the effect of each construct variable, the relationship between the exogenous variable and intervening variable, between exogenous variable and intervening variable and the endogenous variable was examined.

4.1. The Relationship between Organizational Culture and Entrepreneurship Characteristics

Culture can be defined as a habit that occurs repeatedly, which is performed by a person or group of people and is believed to have a certain value or meaning, and subsequently is accepted as a form of tradition that are infused with meaning or value because it has contributed to those who perform or follow it. Related to this, the organizational culture can be regarded as a system of shared meaning embraced by members of an organization that distinguishes that organization from other organizations. This

system of shared meaning is a set of key characteristics upheld by the organization.

Robbins and Judge (2008) remarked similar statement that organizational culture is a system of shared meaning held by members of an organization that distinguishes the organization with others. In the same way, organizational culture involves assumptions and values consciously or unconsciously that are capable of strengthening cohesion of an organization. These assumptions and values determine the pattern of behavior of members in an organization. It indicates a common understanding among members of the organization about values and purposes of the organization upheld.

In this study, organizational culture is built through a dimension oriented towards involvement of each member of the organization as the form of a sense of ownership, sense of adaptability, and organizational goals. The analysis reveals a significant and positive effect of the organizational culture on the entrepreneurship characteristics, which are built through some dimensions; innovation ability, the ability to take the risk, and pro-activity. The statements of some experts above indicate that organizational culture through a sense of ownership among all members of the organization, adaptability, and the clarity of the organization goals becomes an important element for the organization in order to establish the entrepreneurship characteristics among members of the organization.

The analysis shows a significant effect of the organizational culture on the entrepreneurship characteristics. Therefore, the stronger the organization culture is, the more likely the formation of entrepreneurship characteristics among employees to realize. Correspondingly, in fact, to maintain the existence of any small and medium catering enterprises in Makassar, generally there is a need to give opportunities for each employee to offer thoughts or new ideas. Similarly, all employees should be involved in decision-making, where the dominant indicator that contributes to the organizational culture is the decisions made by the employees that encourages the formation of a sense of ownership, adaptability, and common goals to be achieved. In addition, the employees should be given awards or reinforcement by the owners about their thoughts or ideas, as well as innovations they have created, thus encouraging other employees to do the same.

4.2. The Relationship between Entrepreneurship Characteristics and Competitive Advantage

Today, the development of entrepreneurship characteristics among those who run SMEs is required to create a competitive advantage through various ideas that are novel and realized in an innovation, by being able to take risk, and acting proactively. This is in line with that proposed by Lumpkin and Dess (2001) that entrepreneurs must have the characteristics that reflect the values of personality such as confidence and optimism, being task- and result-oriented, risk taking and loving challenges, leadership, originality, and being future-oriented. From this argument, it can be said that one factor contributing to the lack of competitiveness of SMEs is the low values of the entrepreneurship personality possessed by SMEs. In other cases, the creative and innovation ability are not enough

to be an asset to increase advantage if not followed by the values of personality that encourage a person to take action that leads to the desire to create and take advantage of business opportunities. To that end, an ability and strong desire to create creative and innovative ideas. And ability to take risk are needed.

The findings show that the entrepreneurship characteristics built through the ability to innovate, the ability to take risk, and proactivity have an effect on competitive advantage built through the concept of low cost, product differentiation, and focus. In addition to having a significant effect, the relationship between the two variables is positive in the sense that the higher the entrepreneurship characteristics of small and medium catering enterprises are, the higher their competitive advantage are that lead to competitive advantage of small and medium catering enterprises. Otherwise, if the lower the entrepreneurship characteristics are, the more likely the competitive advantage to occur that leads to competitive advantage catering of small and medium catering enterprises in Makassar.

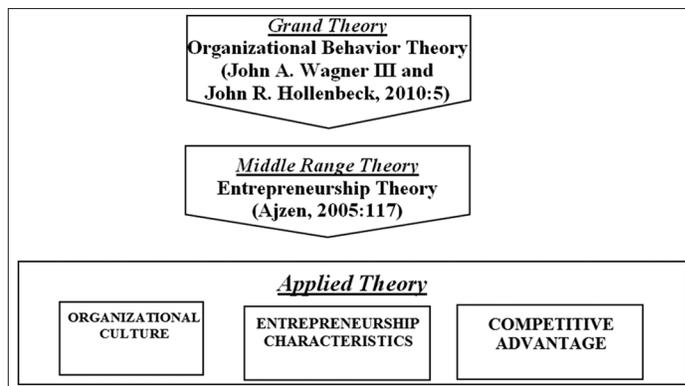
The characteristics of entrepreneurship is the main capital for the company to create a competitive advantage, by developing ideas that are novel and innovation and able to take risk of failure. Some experts argue that the importance of the ability of being creative, innovative and proactive that represents entrepreneurship characteristics can be a reason for companies to create a competitive advantage. Miller (1983) elucidated that businesses that are oriented towards entrepreneurship are demonstrated by the ability to be creative, innovative, to take risk, and to be proactive. Lumpkin and Dess (2001) remarked that entrepreneurship characteristics are the foundation for a business to create a competitive advantage. Meanwhile, Zahra and Garvis (2000) opined that entrepreneurship characteristics are an important part in achieving high performance for a business. The results of the study from Lumpkin and Dess (2001) reveal a significant effect of entrepreneurship characteristics on the competitive advantage of SMEs. Thus, it can be argued that in general small and medium catering enterprises in Makassar are able to survive and be competitive in the country's economy today due to the ability of the enterprises to increase entrepreneurship characteristics for its employees through the ability to innovate, instill courage to take risk, and build proactive attitudes and behavior.

4.3. The Relationship between Organizational Culture and Competitive Advantage of Small and Medium Catering Enterprises

Organizational culture serves as the spirit of organization, because it involves philosophy, mission and vision of the organization that if internalized by all members of the organization, they will become a force for the organization to compete. Thus, management can be a competitive advantage for an organization with several supporting components, such as: Customs, traditions, regulations, policies and procedures that can make the job more enjoyable and can further assist in achieving organizational goals through the productivity of the employees.

Organizational culture as a management tool for the company's strategy to achieve its goals as part of the development and

Figure 1: Theoretical framework



progress of the organization. Organizational culture is very important for an organization, because it contains expectations, values and attitudes upheld by all members of the organization. Therefore, Hofstede and Hofstede (2001) suggested that organizational culture is a collective programming of the mind which distinguishes the members of one organization with other organizations. Furthermore, Peters et al. (1982) noted the importance of organizational culture for the competitive advantage of an organization. Building a strong organizational culture is the first step for creating competitive advantage for an organization. Related to the above, there is a significant effect of organizational culture on competitive advantage of small and medium catering enterprises in Makassar with regard to some aspects including low cost, product differentiation, and focus. It could be concluded that the competitive advantage of small and medium catering enterprises in Makassar city is determined by how strong the culture of the enterprises is.

The role of organizational culture in maintaining the continuity of the existence of small and medium catering enterprises in Makassar is demonstrated by the presence of its significant and positive effect on the competitive advantage of the enterprises. This indicates that the stronger the organizational culture of the enterprises is, the higher the level of competitive advantage of small and medium catering enterprises in Makassar is. Otherwise, if the organizational culture is low, it will also result in low competitive advantage. Therefore, the enterprises in maintaining their presence have not escaped their attention on the development of organizational culture through a sense of ownership, adaptability to changes in the business environment, and the understanding of goals of the organization.

5. CONCLUSION

Based on the research results, it could be concluded that the results of the analysis indicate a significant effect of organizational culture on entrepreneurship characteristics. Thus, the stronger the culture of the organization is, the more likely the formation of characteristics among employees to increase. In line with this, in reality, to keep the existence of any small and medium catering enterprises in Makassar, generally it is necessary to give opportunities to every employee to offer ideas as well as to involve in the decision making. An indicator that contributes dominantly to

the culture of the organization is the decision of employees, thus encouraging the formation of a sense of ownership, adaptability, and having common goals to be achieved. The results of this research also show that entrepreneurship characteristics built through the ability to innovate, the ability to take risk, and proactivity affect the competitive advantage built through the concept of low cost, product differentiation, and focus. In addition to having a significant effect, there is a significant and positive relationship between the two variables, in the sense that the higher the entrepreneurship characteristics are, the higher the competitive advantage of small and medium catering enterprises is, which leads to a competitive advantage of small and medium catering enterprises.

Similarly, the role of organizational culture in maintaining the continuity of small and medium catering enterprises in Makassar is demonstrated by its positive and significant effect on competitive advantage. This indicates that the stronger the culture of the organization is, the higher the level of competitive advantage of small and medium catering enterprises in Makassar is. Otherwise, if the organizational culture is low, it will result in low competitive advantage. So it can be argued that the enterprises in maintaining their presence do not escape their attention on the development of organizational culture through a sense of ownership, adaptability to changes in the business environment, and understanding the goals of the organization. The result of model estimation demonstrates that organizational culture has a positive and significant effect on competitive advantage.

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