

## The Role of Business Strategy as Mediation of Management Capability on Seaweed Business Performance in South Sulawesi

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**Abstract:** This study aims to examine and analyze whether the business strategy is directly influenced by management ability, entrepreneurship orientation both directly and indirectly through business strategy as mediation. Theoretically, the results of this research is expected to be complete the repertoire of knowledge in strategic management field, especially micro and small entrepreneurship so, it can be useful for academics, practitioners and government. The population in this study is businessman. Respondents used as sample are 74 people seaweed entrepreneurs at micro and small scale method is census and an analytical method used in hypothesis testing is path analysis. The results of this study indicate that: management capability indirectly affects on business strategy, entrepreneurship orientation directly influences business strategy. entrepreneurship orientation indirectly affect on business performance business through business strategy.

**Key words:** Management, entrepreneurship, business strategy, seaweed, field, micro

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### INTRODUCTION

A seaweed may belong to one of several groups of multi-cellular algae: the red algae, green algae and brown algae. As these three groups do not have a common multi-cellular ancestor, the seaweed are in a polyphyletic group. In addition, some tuft-forming blue green algae (Cyano-bacteria) are sometimes considered to seaweed is a colloquial term and lacks a formal definition.

Two specific environmental requirements dominate seaweed ecology. These are the presence of seawater (or at least brackish water) and the presence of light sufficient to drive photosynthesis. Another common requirement is a firm attachment point although, some genera such as *Sargassum* and *Gracilaria* have species that float freely. As a result, seaweed most commonly inhabit the part of a sea that is close to the shore (the littoral zone) and within that zone more frequently on rocky shores than on sand or shingle. Seaweed occupy a wide range of ecological niches. The highest elevation is only wetted by the tops of sea spray, the lowest is several meters deep. In some areas, littoral seaweed can extend several miles out to sea. The limiting factor in such cases is sunlight availability. The deepest living seaweed are some species of red algae (Lewis, 1964).

Others have adapted to live in tidal rock pools. In this habitat seaweed must withstand rapidly changing temperature and salinity and even occasional drying. Seaweed marketing in the is inseparable with the South Sulawesi Province, here the South Sulawesi seaweed commodity are marketed for export purpose,

inter-provincial and local. While micro and small seaweed entrepreneurs in still market their products on the local markets which are on a large scale and industrial companies in the City of Makassar. While for Makassar City almost entirely is marketed among the provinces like to Jakarta and Surabaya in the dried seaweed shape. Accordingly, since the seaweed is mostly done by micro and small enterprises, Juoro explained that small and micro business can considered as the basis for the business of the industry structure. This is because the items products manufactured by big business being sub-working at SME, in addition to the selling price off SME products are relatively cheap (Suryana, 2003).

The task of a manager is fairly complex and multidimensional; it requires a number of skills. Skills required to manage a department or an organization can be summarized in three categories: conceptual, human and technical (Daft, 2009). While Alesandri (2008) proves that the risk influence goes beyond the decision process, thus rationalizing the decision-making process affects the output decision (Nooraie, 2008). In line with Ramo *et al.* (2009), it proved that the motional and social skill impact productivity.

Therefore, management skills significantly affects on the risk and product development. In the same way, the organizational innovation and organizational learning together promote entrepreneurship to improve the competitiveness (Garcia-Morales *et al.*, 2006). Positive management capabilities have significant impact on the performance of small and medium enterprises (Puji, 2009). The finding also show that if an entrepreneur has good

management skill, it will improve their business performance. Along with Latif (2002), he proves that if an entrepreneur has good management skills, it will improve their business performance.

Amit and Schoemaker (1993) prove that the management capabilities significantly influence business performance. Furthermore, Daft (2009) proves that management ability has no affect on the development of technology in addition globalization and inovation that is the part of the business strategy in order to improve business performance. Some characteristics of the entrepreneur described by Idrus, greatly affect he success of the business performance running. These characteristics are self confidence, task result oriented, risk taker in the form of time money, health and spirit, havin leadership attitude, having authenticity being future oriented future oriented). The success of the business is determined how many feature are embed in the entrepreneur's soul

There are some researches on entrepreneurial orientation such as Zhara and Covin (2000) proves that a positive relationship between entrepreneurial orientation, profitability and growth. Similar with Zahra and Covin (1995), they prove that the existence of a positive relationship and significant influence. Puji (2009) has also proved that entrepreneurial orientation has positive and significant impact on business strategy and business performance in small and medium enterprises. Therefore, to determine whether there is influence of entrepreneurship orientation to business strategy and business performance (Lee and Tsang, 2001).

Many experts emphasize the role of entrepreneurship in small and medium enterprises. For small and medium enterprises, there are many things studied related to business strategy, strategic entrepreneurship and innovation (Hitt, 2001). While the ME business strategy, regarding to the suitability of internal capabilities and activities of the company with the external environment in which companies must compete using strategic decisions and usually use the following strategies: new products on the previous market, the product in a particular market niche, being into specific segments and making changes on product characteristics (Suryana, 2003).

Generally, small and medium entrepreneurs rely on many strategies that are based on the spirit of entrepreneurship (Hankinson *et al.*, 1997). Meanwhile, according to Muhammad (2008), he explains that the intensities and formality strategies on SME are quite simple and partial. Through the steps, a company tries to achieve strategic competitiveness and profits above the average; therefore, there are two main models to be achieved (Hitt, 2001).

## **MATERIALS AND METHODS**

The approach used in this study is a quantitative approach. This study also add some explanatory information from some respondents to complete the results obtained from the quantitative approach. This research is a census research where the entire population is selected for the study. The population is small nd micro entrepreneur amounted at 74 respondents in details, 16 people of micro and 58 people of small entrepreneurs included as criteria in Law No. 20 in 2008.

In the design of the questionnaire set, it uses some indicators that reflect latent variables and items and also open-ended questions with the Likert scale, the validity and reliability tests are also performed. To test the proposed model, the statistical techniques used is Path Analysis (Solimun, 2011)

## **RESULTS**

**Hypothesis testing:** By using path nalysis with Confirmatory Factor Analysis (CFA) program AMO 18.0 (Analysis of Moment Structure (Arbuckle and Wothke, 1999)).

**Criteria evaluation for goodness:** Evaluation of the accuracy of the model has essentially one at the time the model is estimated by AMMO (Augusty, 2006). A complete evaluation of this model can be done as follows: evaluation of the normality assumption fulfilled up data.

The Univariate and Multivariate normality evaluation of the data used in this analysis, tested by using AMOS 18 about the assessment of normality. By offering to the value in CR column, it concluded that all the variables use normal distribution. Evaluation of multi co-linearity and singularity.

By using Amos 18 Software the evaluation of multi co-linearity and singularity can be detected by looking at the determinant value of the sample covariance matrix. It indicates that the determinant value of the sample covariance matrix is 0.003. It concluded that there is no multi co-linearity or singularity thus the data is fit to use.

## **DISCUSSION**

The management ability owned by entrepreneurs does not support the business strategy. Or the management ability influence indirectly on the business strategy. These findings contradict the results of previous studies, according Alesandri (2008), Nooraie (2008), Ramo *et al.* (2009) and Garcia-Morales *et al.* (2006). Surachman prove that the management skill influences significantly on product risk and development.

The entrepreneurship orientation owned by entrepreneurs supports the business strategy. Or the entrepreneurship orientation directly influences the development of the business strategy. This finding is consistent with results of previous studies, conducted by McCarthy (2003), Zhara and Covin (1995) which prove that entrepreneurship orientation has positive and significant impact on business strategy and business performance of small and medium enterprises.

The management ability owned entrepreneurs improves their business performance. Or the management ability directly affects the business performance. These findings are consistent with previous studies by Puji (2009) that prove if the management ability has positive and significant impact on business performance.

The entrepreneurship orientation can improve the business performance when implementing the appropriate business strategy. The entrepreneurship orientation indirectly affects on business performance but through the business strategy. These findings contradict the results of the studies by McCarthy (2003), Covin and Slevin (1989), Steward *et al.* (2003), Vitale *et al.* (2003), Smart and Conant (1994), proving that entrepreneurship orientation has positive and significant impact on business strategy and business performance of small and medium enterprises.

The business strategy can improve the business performance. Or business strategy directly affects the performance of the business. This finding is consistent with results of previous studies as the study conducted by Wahdiyati (2008), Covin and Slevin (1989), Miller and Friesen (1978) proving that operating performance improves if you have competitive advantages.

## CONCLUSION

The management ability possessed by an seaweed entrepreneur does not support the business strategy or the management ability indirectly affects the business strategy. The entrepreneurship orientation owned by an seaweed entrepreneur is proved supporting the business strategy. The entrepreneurship orientation directly influences the development of business strategy.

The management capabilities possessed by an seaweed entrepreneur is proven to improve the business performance. Or the management ability directly effect the business performance.

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