

# How supply chain moderates the relationship of entrepreneurial orientation, adaptability strategy and government interference with performance?

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**Abstract**-The small and medium business sector plays an important role in strengthening the structure of the national economy. This sector is essentially related to the economic life of most Indonesian people. Past studies indicate that the quality of small and medium enterprises in Indonesia facing difficulties to extend their businesses due to several internal problems such as lack of human resources entrepreneurial skill, technology, management, and information. As such, based on Resource-Based View theory, this study aims to analyze the effect of adaptability strategy, entrepreneurial orientation, and the government policy on the performance of selected small and medium enterprises. Information sharing wide supply chain management significantly and positively inserts moderating effect among the relationship between government policy, adaptability strategy, entrepreneurial orientation, and performance. Based on interviews and questionnaires distributed to 49 small and medium enterprises, this study found adaptability strategy, entrepreneurial orientation, and the government policy affects business performance. This study enriches the current literature by providing contributions and insights to understanding how Resource-Based View theory will affect the business performance of small and medium enterprises in Indonesia.

**Keywords;** *Entrepreneurial orientation, Adaptability strategy, Role of government, Business Performance, Supply chain*

## 1. Background

The economic crisis in Indonesia has raised awareness that the small business sector has a very important role in strengthening the structure of the national economy. Small

and Medium Enterprises (SMEs) are very important in the national economy because it relates to the lives of most Indonesian people. In general, the role of SMEs contributes to the growth of gross domestic product (GDP) in each country. SME is one of the solutions to overcome the problems of the Indonesian economy. SME helps to reduce unemployment in Indonesia because SME provides jobs by opening up businesses. As an independent business organization, SMEs play an important role in the economic and industrial growth of a country [1]. In 2018, there were 68,728 SMEs in Riau Province. Riau Province, especially the coastal region, has a large potential of natural resources. Normatively, coastal communities should be prosperous with it. In fact, most of the coastal communities are economically weak people living in small islands. Past studies such as states that the quality of SMEs in Indonesia is difficult to develop in the market due to several internal problems related to human resources such as lack of entrepreneurial skill orientation, mastery of technology, management, and information. From those problems, entrepreneurial orientation and internal resources are a major concern in many current studies. Based on World Bank research, four problems faced by SMEs today are the lack of access to finance, low access and business opportunities, limited human resources and SME institutions, and regulation of bureaucratic funds [2].

More specifically, the problems faced by small entrepreneurs are weakness in gaining market opportunities and increasing market share, weak capital structure, limited ways to capital sources, weak human resource management, limited marketing information systems, high competition, unintegrated training and lack of community's trust and care on small businesses. For this reason, it is necessary to optimize the performance of SMEs to improve