

THE ROLE OF ENTREPRENEURIAL ORIENTATION IN ACHIEVING ORGANIZATION PERFORMANCE THROUGH BUSINESS MODEL INNOVATION AND ASSET RELATIONAL COLLABORATION

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Abstract

Purpose of the study: This study examines the role of entrepreneurial orientation in achieving the best performance of the firm through the mediation of business model innovation and strategic relational assets as intangible assets that are inimitable.

Methodology: The study was conducted in 105 private hospitals in Indonesia, affected by the reform of the regulation and influenced by digital disruption, which triggered the disruptive change. This study used a quantitative method and processed by Structural Equation Modelling program for quantitative data analysis.

Main Findings: The results of this study concluded that the entrepreneurial orientation of the hospital has a significant positive impact on the achievement of organizational performance, either directly or with the mediation of business model innovation and the collaboration between hospital management and the physicians.

Applications of this study: This study proved to be a critical determinant for the business model innovation and the growth of hospital performance.

Novelty/Originality of this study: As the theoretical contribution of this study is to enrich the development of entrepreneurial orientation concept as a part of organizational entrepreneurship which emphasizes the relationship of the stakeholders of an industry, through integration with some concepts and theories in strategic management such as resource-based theory, business model innovation and stakeholder theory.

Keywords: *Entrepreneurial orientation; disruptive change; business model innovation; a collaboration of hospital-physician relation; hospital performance.*

INTRODUCTION

In this 21st century era, all types of firms in all sectors of the industry, facing severe challenges from their environmental uncertainty, due to conditions that vary with the speed of competition reactions, so the researchers claim as a change in the pattern of competitive dynamics ([Chen & Miller, 2015](#)). This is the evident of the shifting of business competition that after more than a decade has been dominated only by the same players (North America, Europe, and Japan), but now is shifting to the developing countries in Asia, by applying new rules, which is not easily followed by established giant corporations ([Ruelas-Gossi&Sull, 2006](#); [Chen & Miller, 2015](#)). This change disrupts the ability of internal resources and processes of the firms that have been successfully deployed for years and suddenly it became ineffective. This phenomenon is called a disruptive change, which has been shown to have an effect of changing the realm of competition unexpectedly by the managers of the firm, as the prevailing business model abruptly becomes obsolete (Christensen, Anthony, & Roth, 2004; [Austin, Bentkover, &Chait, 2016](#); [Rasche, Margaria, & Floyd, 2017](#)). Any organizations, as well as hospital organizations in Indonesia in this disruptive era, are urged to make a transformation of the business model to maintain the firms' sustainability ([Johnson, Christensen, &Kagermann, 2008](#); [Karimi& Walter, 2015](#)). Therefore the question arises among researchers and business actors about the most appropriate solutions to win the competition in situations of uncertainty due to disruptive change. It is argued that an organization needs to implement the entrepreneurial orientation as the strategic orientation of the firm because it encourages organizational change continuously in response to situations of the uncertainty of the firm's external environment.

LITERATURE REVIEW

Entrepreneurial orientation is considered very prominent and widespread so as to get the attention of scientific publications academics, exceeding the discussion of other entrepreneurial topics ([Wales et al., 2013](#); [Covin& Lumpkin, 2011](#)). Entrepreneurial orientation is a strategic dimension of the organization, and show entrepreneurial behavior organization of time to time, which means it has an entrepreneurial pattern repeated or recurrent ([Wales, 2015](#)). The concept of firm-level entrepreneurship has been recognized as an integral part of strategic management ([Burgelman, 1983](#); [Barringer&Bluedorn, 1999](#)), especially the concept of entrepreneurial orientation from [Miller \(1983\)](#) used in this study, as the perspective of the most dominant ([Rauch, Wiklund, Lumpkin, &Frese, 2009](#)) and most established ([Wales, 2015](#)).

Entrepreneurial Orientation

Entrepreneurial orientation is defined as the behavior of the company in order to pursue new opportunities through a combination of internal resources ([Miller, 1983](#)). The importance of entrepreneurial orientation seen from studies showing significant influence on the superior performance of the organization, so that companies in the 21st century that do not behave entrepreneurially will certainly experience failure ([Kuratko, 2009](#)). Entrepreneurial orientation expressed as the process of formation of corporate strategy ([Miller, 2011](#)) and is known as a strategic posture of the organization that exhibits innovativeness, proactiveness, and risk-taking, as a whole or uni-dimensional ([Covin&Slevin, 1989, 1991](#); [Wales, 2015](#)). The relationship between entrepreneurial orientation with firm performance is a major concern to the researchers ([Wales, 2013](#); [George and Marino, 2011](#)). Many studies suggest an inconsistency in the relationship between entrepreneurial orientation on performance. There are studies that say the direct links ([Covin&Slevin, 1989, 1991](#); [Hinz&Ingerfurth, 2013](#)), indirect relationship ([Walter, 2006](#), [Wales et al., 2013](#)), and show inconsistency ([Wales et al., 2013](#)). In this study, the hospital with entrepreneurial orientation assumed to influence the achievement of better performance, because it has properties that enable proactive discover new opportunities earlier than the competition ([Vandekerckhove&Dentchev, 2005](#)). Innovative attitude with proper risk calculation in hospitals tend to push the organization with improved performance, especially with an innovative business model, which is opening new markets ([Claus, 2015](#)).

Business Model Innovation

Innovation in the organization will require resources and bring uncertainty and the risk of ignorance ([Assink, 2006](#)). Many studies have concluded that the effect of innovation on the performance depicted varied, inconclusive or contradictory, especially for small and medium-sized firms. Stated that this relationship will depend on the context, such as the age of the company and the type of innovation ([Rosenbusch et al., 2011](#)). In this study, it is argued that in the context of innovation in hospital organization, the more innovations that lead to market expansion and the introduction of products services and processes are completely different from before or facilitating access to reach new market segments. Business model innovation created the formation of value not only improve economic indicators but also have an impact on social benefits in the form of the legitimacy of the organization form the society and government ([Hitt, Ireland, Sirmon, &Trahms., 2011](#)). It is argued that business model innovation will open the access of services for a growing number of community members who previously did not include as the service users of the hospital organization ([Christensen et al., 2009](#)), so that will increase the utilization and improve the hospital performance ([Bouncken et al., 2016](#)).

Collaboration between Hospital and Physicians

Using collaboration in fostering the relationship between hospital management and the medical profession is considered most appropriate given the relationship is prone to conflict. Collaboration is reflected by the mutual decision-making process and shared responsibility, especially as related to the principles and strategic decisions ([Liedtka, 1996](#); [Al-Amin et al., 2013](#)). With the complexity of the forms of integration or relationships hospital – physician relation, that is analogous equivalent to the role of the contractor off ([Sharma, 1997](#)), and the central role of the medical profession in the operational activities of the services the hospital, then the ability of hospital management to collaborate with the physician, regarded as determinants of the competitive advantage of hospitals ([Douglas & Ryman 2003](#)). Collaboration between management and the physicians assumed to be influenced by the level of entrepreneurial orientation of each hospital. It is argued when the management experienced a proactive and dynamic relationship it will diminish the risk which can come from the chance of the failure of the collaboration, according to the nature of the physician position as the “mixed blessing stakeholder” ([Al-Amin et al., 2013](#)). It is argued that with the entrepreneurial orientation, it will form a powerful collaboration that will remain for the long term because it is based on trust and mutual autonomy in decision making on certain strategic decisions and investment choices ([Succi et al., 1998](#)). The impact of collaborative relationship will influence the tendency of the rate of innovation disruptiveness by the organization to achieve the performance ([Dobrzikwosky et al., 2015](#)). The collaboration will create a sense of trust among the parties that could affect the organization's business model innovation ([Rauch, 2015](#); [Christensen et al., 2000](#)), through the innovation of business processes. It will impact to the performance of the organization through the discovery of new funding sources or new mechanisms to lower the cost of treatment, known as value capture innovations ([Claus, 2017](#); [Rasche et al., 2017](#)).

Based on the above explanation proposed research model as follows:

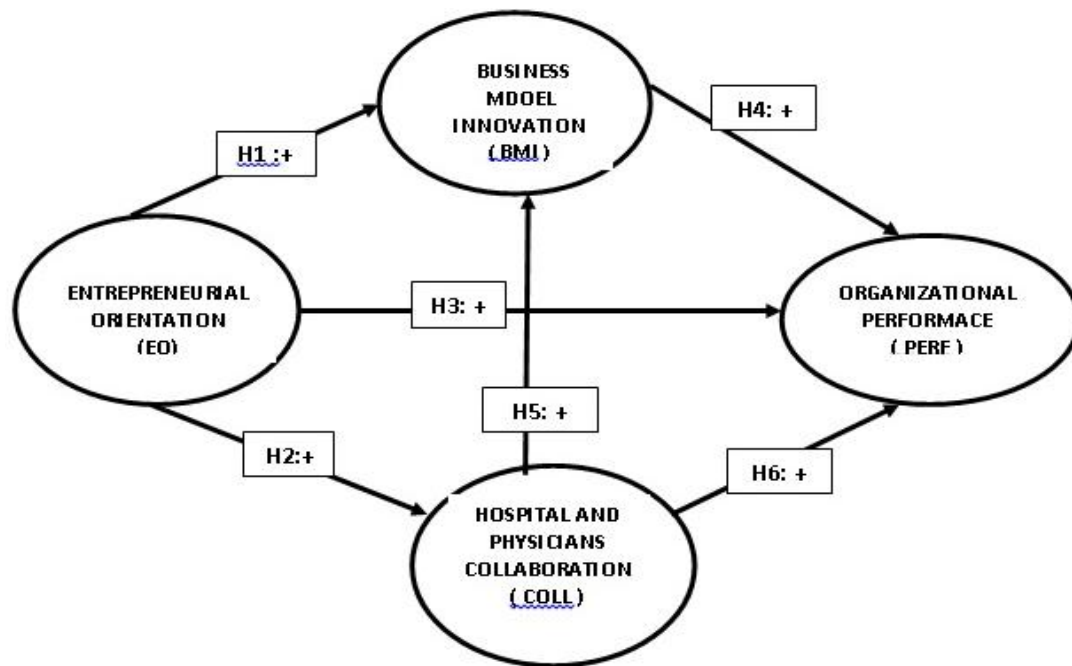


Figure 1. Research Model

And the summary of the hypotheses are:

Table 1. Research Hypotheses

H1	The entrepreneurial orientation has a positive influence on business model innovation
H2	The entrepreneurial orientation has a positive influence on the collaboration of hospital-physician relation
H3	The entrepreneurial orientation has a positive influence on organizational performance
H4	The business model innovation has a positive influence on organizational performance
H5	The collaboration of hospital-physician relation has a positive influence on business model innovation
H6	The collaboration of hospital-physician relation has a positive influence on organizational performance

METHODOLOGY

This research used the quantitative techniques implemented through data collection from the hospitals as unit analysis by using questionnaires (Hair, Black, Babin, Anderson, & Tatham, 2006) to get the perception of hospital top managers. It is related to the role of the top managers in the company as decision makers, who will determine the firms' strategic posture that can exhibits proactive, innovative and risk taker (Ireland et al, 2009; Miller, 1983). A pre-test is done to test the validity and reliability of each item indicator and the instrument as a whole. After the pretest stage is done, then with the improvement of writing and the contents of the questionnaire, then followed by the implementation of the survey according to the applicable protocol. After pretest then obtained valid data came from 105 private hospitals. The analysis of the data by using SPSS and Structural Equation Model (SEM). Therefore, this statistical process must follow criteria that apply in SEM.

DISCUSSION / ANALYSIS

The profile of 105 hospitals as unit analysis is as follow: 76 % of the sample is general hospitals, 76.2% of hospitals have become providers for National Social Health Insurance Scheme. 89.5% of legal entities are Limited Liability Company. Most hospital age exceed 5 years (72.4%), 81% have a capacity above 50 bed, 79% have employees more than 100 people, and 76.2% have more than 10 specialist physicians. The characteristics of the respondents are: 65% of respondents are the directors and vice directors. The majority of respondents have medical education background (79.6%). Respondents who have management educational background only 51.8%. Furthermore, the tenure of respondents are mostly less than 5 years (52.6%) and 58% of respondents are aged above 40 years. Overall model fit which is indicated by GOFI and significance test for latent variables correlation indicates as good fit which means the overall model fit of research model of this study is good. (RMSEA=0.00; NNFI=1.02; CFI=1.00; IFI=1.01; Std. RMR=0.02; GFI=0.96)

Table 2. Research Hypotheses Test Results

Research Hypotheses	t-value*	Coefficient	Significant	Conclusion
H1: EO → (+) BMI	2.26	0.18	Positive Significant	H1 supported
H2: EO → (+) COLL	7.04	0.65	Positive Significant	H2 supported
H3: EO → (+) PERF	2.37	0.24	Positive Significant	H3 supported
H4: BMI → (+) PERF	8.06	0.69	Positive Significant	H4 supported
H5: COLL → (+) BMI	3.03	0.40	Positive Significant	H5 supported
H6: COLL → (+) PERF	1.48	0.21	Not Significant	H6 not supported

*Absolute t-value $\geq 1,96 \rightarrow$ Significant

From the significance test from table 2, it can be seen that the correlation between COLL to PERF is found to be not significant, however, the correlation of other latent variables is found to be a significant positive. From the above table also indicates that the five hypotheses can be accepted (supported), namely H1, H2, H3, H3, H4, and H5. And one hypothesis cannot be accepted (not supported) namely H6. The results of this study provide empirical evidence that the implementation of entrepreneurial orientation in hospital organizations will be able to stimulate the business model innovation and the formation of strategic relational collaboration between hospital management and physicians, which create the highest organizational performance, especially in an environment full of uncertainty due to disruptive change

This study shows that the effect of entrepreneurial orientation on organizational performance through business model innovation is partial mediation, because of the direct positive significant relationship between entrepreneurial orientation and performance. The effect of entrepreneurial orientation on performance can be mediated by collaboration but must be through a business model, because the collaboration cannot directly affect performance. It means, the influence of entrepreneurial orientation on organizational performance is more clearly determined by the business model innovation that can be seen from the score of the coefficient (table 2) between business model innovation and performance that is 0,69, which is the highest among the other scores.

CONCLUSION

The conclusion of this research is that the entrepreneurial orientation of hospital organizations in Indonesia proved has a significantly positive influence on organizational performance in the disruptive environment condition. The hospital's business model innovation is influenced by the entrepreneurial orientation and the strength of collaboration between management with physicians, who can jointly improve organizational performance. This means that the hospital-physician's collaboration is a strategic-relational asset because it can directly affect the key business processes which prompt the business model innovation. Nevertheless, collaboration itself without the implementation of business model innovation was not proven to affect performance in this study. As the theoretical contribution of this study is to enrich the development of entrepreneurial orientation concept as a part of organizational entrepreneurship which emphasizes the relationship of the stakeholders of industry, through integration with some concepts and theories in strategic management such as resource-based theory, business model innovation, and stakeholder theory.

LIMITATION AND STUDY FORWARD

As a suggestion for further research is to use the separation of two sample groups of respondents to deepen the perception differences between the physicians and the managers in viewing the best form of the new business model and their collaboration.

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