

Integrating entrepreneurial intensity and adaptive strategic planning in enhancing innovation and business performance in Indonesian SMEs

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ABSTRACT

This study aims to investigate the effect of both adaptive strategic planning and entrepreneurial intensity on business performance and to scrutinise the indirect effect of these constructs on performance through both market orientation and innovation, in the setting of Indonesian SMEs. The sample for this study was drawn together using purposive sampling. One hundred and eighty-six entrepreneurs participated in this study. The data was analysed using Partial Least Square. The results of this study show that in order to enhance business performance, practitioners should pay attention to their strategic planning. The more adaptive their strategic planning, the more likely to have higher business performance. Moreover, the entrepreneurial intensity that is held by the entrepreneurs will also enhance their business performance. In addition, innovation also plays an important role in enhancing business performance. Innovation is proven to be a mediating variable between adaptive strategic planning and entrepreneurial intensity related to business performance. This study closes the gaps related to the redevelopment of the concept of adaptive strategic planning that has not been widely explored in the area of strategic management and entrepreneurship. This study also can be categorised as a comprehensive study that integrates entrepreneurial intensity as one of the internal factors affecting business performance. The study contributes to the theory by showing that innovation is a mediator, mediating the effect of both adaptive strategic planning and entrepreneurial intensity on business performance. From the practical standpoint, this study suggests that adaptive strategic planning formulated by SMEs as well as the owners' entrepreneurial intensity are the major elements in enhancing business performance. Thus, to have a good business performance, SMEs should focus on their strategy and create an entrepreneurial spirit.

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1. Introduction

The manufacturing industry is currently getting more attention from the Indonesian government as the contribution of the business units in this sector to the national and regional income increases. The manufacturing industry sector business unit is considered to be capable of creating jobs so in addition to increasing the Gross Regional Domestic Product (GRDP) of the business units from the industrial sector, it is also able to improve the welfare of the local community. Malang City is one of the regions where the business units of the industrial sector are very well developed. In 2016, the number of business units from all industrial subsectors was only 141 units while in 2017, the number of business units in the industrial sector increased rapidly to 2,611 units. The increase in the number of business units was followed by an increase in the GRDP generated from the industrial business sector. Although the contribution of the processing industry to GRDP is quite high in general, there has been a decline in the contribution of processing industries to GRDP from 28.92% in 2016 to 25.19% in 2017 (Central Statistics Agency, 2018). The decline in the contribution shows that there needs to be an equal distribution of the growth of the number of business units in other industrial sub-sectors. The aim is to maintain the stability of contributions to GDP while maintaining positive competition between the business units operating in Malang City. Significant improvements in the manufacturing industry sector are indicated for several reasons, such as the industry environment. In order to be a winner in the

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manufacturing industry, a business organisation should pay attention to its performance. Business performance is the reflection of organisational success. A business organisation that can maintain and increase its performance will be more likely to have a positive growth rate and they tend to win over the competition in the industry. The better their business performance is, the more successful the business will be. Thus, there is a need to explore the possible antecedents of business performance. The Resource Advantage (R-A) Theory of Competition suggests that business strategy plays an important role in advancing firm performance as it will create a competitive advantage (Hunt & Morgan, 1997). Some empirical studies have shown that there is a significant effect of business strategic planning on business performance (Falshaw et al., 2006; Miller & Cardinal, 1994; Phillips, 1996). These studies indicate that the better the strategic planning is, the higher the business performance will be in turn. While strategic planning has been recognized as the antecedent of business performance, a gap was still found in the literature. The gap is about the equivocal relationship between strategic planning and business performance as Pulendran et al. (2003) and Rudd et al. (2008) did not find a direct significant effect from strategic planning on business performance. To fill in this research gap, this study has developed the notion of adaptive strategic planning to modify the traditional strategic planning construct. As small and medium enterprises face an uncertain condition (Parnell et al., 2012), there is a need for SMEs to develop strategic planning that can accommodate these changes. Thus, the idea of adaptive strategic planning is expected to be able to capture the need for flexibility in SMEs in Indonesia.

To have better insight into the relationship between strategic planning and business performance, apart from developing the idea of adaptive strategic planning instead of using the traditional concept of strategic planning, this study inserted the notion of market orientation and innovation as the mediating variables. Previous studies have suggested that market orientation has been recognised to have a significant effect on business performance (Hussein et al., 2018; Matsuno et al., 2002; Pulendran et al., 2003). These studies suggest that the more that a business organisation has a strong market orientation, the most likely it is that this will lead to better business performance. Market orientation cannot be separated from the construct of strategic planning (Pelham, 2000), as strategic planning gives direction for the business organisation in the market. Similar to market orientation, innovation has been suggested to be the ingredient of high business performance (Clauss, 2017). The study of Karimi and Walter (2016) found that innovative organisations tend to have a better performance than un-innovative organisations. Similar to this study, Visnjic et al. (2016) suggested that the higher the innovation of the business organisation is, the better the performance will be. Apart from strategic planning, the R-A Theory of Competition suggested that entrepreneurial skills are resources that can be used to achieve good business performance (Martin & Javalgi, 2016). Empirical studies have shown that entrepreneurial intensity as a part of entrepreneurship has played an important role in affecting business performance. The study of Kajalo and Lindblom (2015) explained that entrepreneurial intensity has a positive significant effect on firm performance. Similar to this study, Zehir et al. (2015) indicated that the entrepreneurial intensity among Turkish SMEs had an importance role in terms of affecting performance. While these empirical studies have recognised the importance of entrepreneurial intensity on improving business performance, the relationship between these constructs is not clear. As entrepreneurial intensity can only capture an individual's mind set and spirit in terms of operating a business, it will enhance business performance only if it is supported by other constructs. Hence to have further insight into the relationship between entrepreneurial intensity and business performance, this study inserts the notion of innovation. Based on the background of the problem, this study aims to investigate the effect of both adaptive strategic planning and entrepreneurial intensity on business performance and to scrutinise the indirect effect of these two constructs on performance through both market orientation and innovation. Upon the completion of these two research objectives, this study contributes to both theoretical and practical realms. From the theoretical standpoint, this study developed a comprehensive model explaining the relationship between adaptive strategic planning, entrepreneurial intensity, market orientation, innovation and business performance, in addition to testing the mediating effect of innovation and market orientation. For the practical contribution, this study will be the guideline for manufacturing industry practitioners focused on improving their business performance.

This paper is divided into several sections as follows. The first section is the introduction section, followed by the literature review section that explains the support of literature and the related hypotheses. The next section is the research method that explains the respondents, the data collection method and the data analysis method. The next section displays and describes the results of the study, followed by a discussion. The last section provides the conclusions of the study, the limitations and the directions for future research.

2. Literature Review

2.1 Adaptive Strategy Planning, Entrepreneurial Intensity and Business Performance

Business performance is a result that is indicated by a comparison between the target and the achievement of a performance unit within a certain period of time. Business performance is then defined as measuring the results achieved by a business unit by comparing the targets and achievements of the business units within a certain period of time. Semrau et al. (2016) explained that the measurement of a company's performance can be measured through two dimensions, namely the financial dimension and the non-financial dimension. Financial measurements can be done through a comparison of changes in the value of financial statements issued by the company. Non-financial measurements are measured through stakeholder satisfaction and organisational structure growth. Strategic planning is the process that aims to find an appropriate strategy for a business organ-

isation through the analysis of alternative strategies. Strategic planning is concerned with managing the complexity and dynamics of the environment (Rigtering et al., 2017). Strategic planning has been recognised as an important ingredient of business performance. Previous studies have suggested the impact of strategic planning on business performance. For example, the study of Phillips (1996) suggested that strategic planning has a positive relationship with business performance in the context of the UK hotel sector. Similar to this study, Rigtering et al. (2017) showed that the combination of strategic planning and innovativeness is the best combination to enhance business performance. In the realm of SMEs facing a very quick changing business environment (Parnell et al., 2012), a business organisation needs to have adaptive strategic planning. Adaptive strategic planning is about a business organisation undertaking formal planning that is flexible to changes in the environment. In this study, the construct of adaptive strategic planning was developed based on the theory of strategic planning and strategic flexibility (Fadol et al., 2015; Wolf & Floyd, 2017). Strategy flexibility is a capability that the company has in responding to changes that occur in the market. Brozovic (2018) explained strategic flexibility as the company's ability to respond to uncertainty by making adjustments to the targets set by the company based on the capabilities and resources available in the company. The explanation indicated that companies that have strategic flexibility tend to be more dynamic in determining strategic decisions and planning. The dynamic nature of a company with strategic flexibility does not mean the company always responds to every change that occurs in the external environment, especially the market. Companies with good strategic flexibility take on a number of approaches before finally deciding whether or not to make adjustments in response to the changes in the external environment. Thus, this current study integrates adaptive strategic planning and strategic flexibility into the model. Apart from strategic planning, scholars suggested that entrepreneurial intensity has also played an important role in creating high business performance. In the domain of business organisation, entrepreneurial intensity captures the entrepreneurial spirit owned by the members of organisation (Morris & Sexton, 1996). Liao et al. (2005) suggested that entrepreneurial intensity is about the level of the entrepreneur's focus and their commitment in leading a business innovation. In some sense, entrepreneurial intensity is different to the individual's entrepreneurial orientation as it is about the activities as well as decision making when creating new ventures. However, they are complementary to each other (Martin & Javalgi, 2016). While the effect of entrepreneurial orientation has been recognised widely, only a few studies have empirically investigated the effect of individual entrepreneurial intensity on business performance (Liao et al., 2005). For example, the study by Morris and Sexton (1996) showed that entrepreneurial intensity had a positive significant effect on business performance. Similar to this study, Urban and Sefalafala (2015) suggested that entrepreneurial intensity significantly affected the SMEs performance and internationalisation in South Africa. The effect of entrepreneurial intensity on firm performance was also indicated in the survey among Russian women entrepreneurs (Iakovleva & Kickul, 2011). This current study uses both financial and non-financial performance in order to capture the real performance of the investigated firms and it also inserts entrepreneurial intensity in order to investigate whether or not the internal character of the entrepreneur will affect firm performance. Thus, the following hypotheses are proposed:

H₁: Adaptive strategic planning has a positive significant effect on business performance.

H₂: Entrepreneurial intensity has a positive significant effect on business performance.

2.2 The Mediating Effect of Market Orientation

Scholars as Wang (2009) and Ozkaya et al. (2015) described market orientation as a series of behaviours carried out by companies in order to gather information about consumer needs and the factors that shape those needs. The information that has been collected can then be used by companies to determine the strategic decisions needed in order to improve company performance. The basic motive of the company in conducting market orientation is the awareness that the external environment, especially that of consumers, has a dynamic nature that is always changing. Consumers are forming the market demand, so information about consumer needs can be the basis of the company in terms of creating a product value that has a competitive advantage. Wang, et al. (2009) explained that the purpose of companies conducting market orientation is to improve company performance, especially in terms of marketing. Through market orientation, companies can analyse changes in consumer needs and then create products with value benefits that suit those needs (Migdadi et al, 2017). The performance improvement assessment of companies that conduct market orientation can be measured by increasing the number of sales, profits, employees and market share (Buli, 2017; Fairoz, Hirobumi, & Tanaka, 2010). The implementation of market orientation cannot be separated from organisational strategic planning. Scholars (Pulendran et al., 2003) have suggested that organisations that strategically plan their business will be more market oriented than organisation that do not conduct strategic planning. In accordance with this contention, previous studies (Pulendran et al., 2003) have showed that strategic planning has a positive significant effect on market orientation. As market orientation has been recognised as the determinant of business performance and a result of strategic planning, it is expected that market orientation will mediate the effect of adaptive strategic planning as the derivation of strategic planning on business performance. Hence, it is proposed that:

H₃: Market orientation mediates the effect of adaptive strategic planning on business performance.

2.3 Mediating Effect of Innovation

Market conditions and a level of business competition that is increasingly erratic and constantly changing demands there to be innovation in order to gain a competitive advantage. Higgins (1995) states that the key to success in terms of competitive advantage is innovation. Innovation can be differentiated into product innovation (Bakar & Ahmad, 2010; Zhang & Duan, 2010), process innovation and market innovation (Medina & Rufin, 2009; Murat Ar & Baki, 2011). Hogan and Coote (2014)

defined innovation as one of the functions that companies have in making changes to create a new dimension of performance. Innovation can be triggered by changes in the company's internal and external environment which then provide an opportunity for the company to create a new procedure or systematic process with the aim of improving the overall performance of the company. Based on this explanation, innovation can be concluded as a result that can be in the form of strategies, procedures, systems or planning by the company that is carried out in response to changes in the internal and external environment. Furthermore, innovation is carried out if there are two components, namely the company and the surrounding environment, thus innovation cannot be created or formed if one of the two components is not fulfilled. Companies as subjects who will create innovation need to know information about any environmental changes, especially the external environment. Companies that conduct market orientation generally have information regarding changes in the needs of the external environment, especially changes in consumer needs, thus companies that conduct market orientation meet the two components needed for the creation of innovation. Based on this explanation, it can be assumed that innovation can be found in companies that conduct market orientation. Responding to changes and making strategic adjustments related to these changes is one characteristic of companies that have strategic flexibility. The strategic flexibility of the company aims to build a competitive advantage in the market by utilising the available resources in the face of changes in the external environment. Based on the motives and objectives of the strategic adjustments made by the company, it can be assumed that innovation can also be found in companies that have strategic flexibility. One of the main goals of creating innovation by companies is to improve the overall company performance (Doluca et al., 2018). The measurement of overall company performance can be measured by measuring the performance of the company through observing the increase in the number of sales, profits, employees, and market share owned by the company (Gomes & Wojahn, 2017). Thus, it is proposed that:

H₄: Innovation mediates the effect of adaptive strategic planning on business performance.

H₅: Innovation mediates the effect of entrepreneurial intensity on business performance.

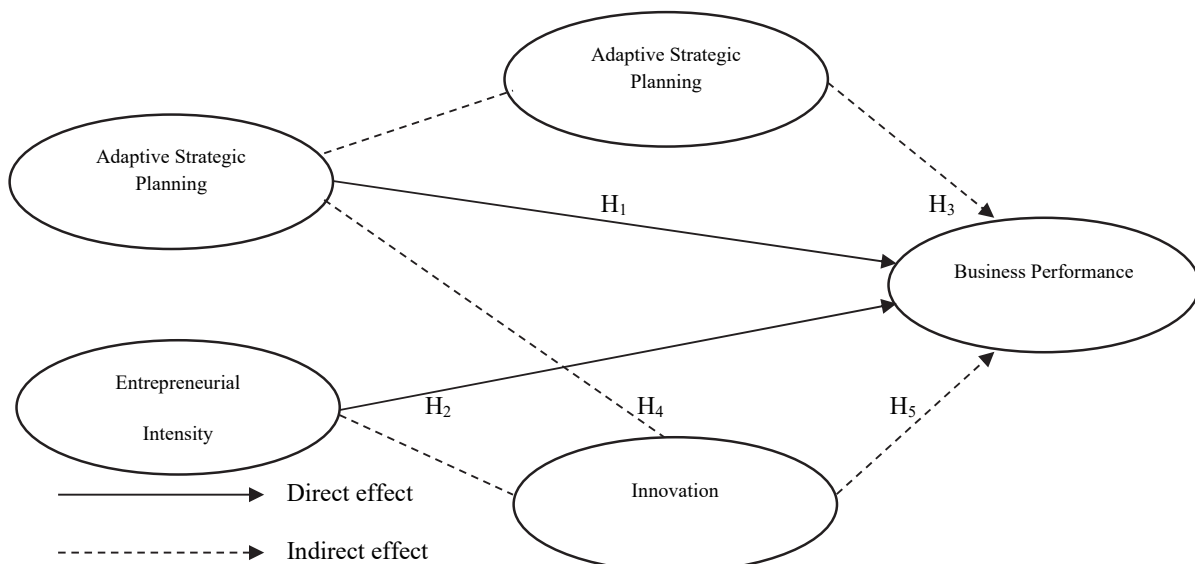


Fig. 1. Conceptual Model

3. Method

This research is an explanatory type of research. Explanatory research is used to determine the relationship between two or more variables, where in this study the influence between the variables to be tested included adaptive strategic planning, entrepreneurial intensity, market orientation, innovation, and business performance. Partial Least Square (PLS) was employed to analyse the data. This technique is used as it is an analysis technique that can test the conceptual models with relative complexity. When using PLS techniques, there are three evaluation steps to be taken. First, is to do an analysis of the measurements used. This evaluation is done by evaluating the discriminant validity, convergent validity and unity of dimensionality of the entire construct. Second, is to conduct an analysis and evaluation of the structural models designed by looking at the total coefficient of determination and the goodness of fit model. Third, is hypothesis testing related to both the direct influence and the indirect influence. The effect is not directly tested using Sobel's test. According to Hair (2010) and their hypothesis testing, alpha is determined at a level of 5% with $t = 1,960$.

3.1 Population and Samples

The population in this study was all of the Small and Medium Enterprises (SMEs) in the manufacturing industry business sector operating in Malang City. The respondents were selected using purposive sampling. Self-administered questionnaires were employed in this study. One hundred and eighty-six respondents participated in this study. Table 1 shows the demographic profile based on the sample.

Table 1
Demographic Characteristic

Variable		Frequency (s)	%				
Gender	Male	110	59%				
	Female	76	41%				
Age	18-25 years old	12	6%	Educational Background	High school	58	31%
	26-35 years old	23	12%		Diploma	88	47%
	36-45 years old	48	26%		Bachelor Degree	19	10%
	46-55 years old	67	36%		Master Degree	21	11%
	> 55 years old	36	19%		Doctoral Degree	0	0%
Business Period	3-5 years	79	42%				
	6-10 years	45	24%				
	11-15 years	27	15%				
	>15 years	34	18%				
	not stated	2	1%				

Source: Own compilation based on field study

3.2 Outer Model Evaluation

Outer model evaluation was used to ensure that the measures used in this study were robust. Three indicators were employed to investigate the outer model, namely convergent validity, discriminant validity and uni-dimensionality. The following section will discuss the results of the outer model evaluation. Convergent validity was indicated through the score of outer loading. Chin et al. (2010) stated that to be free of the convergent validity problem, a variable must have a score of Average Variance Extracted (AVE) of more than 0.5 and a score of outer loading above 0.4. In this study, the score of AVE varied between 0.555 and 0.736. The outer loadings ranged between 0.467 and 0.920. It indicates that there are no convergent validity problems. Table 2 shows the score of outer loading for each construct.

Table 2
Outer Loadings

Construct	Code	Outer Loading
Entrepreneur Intensity	EI1	0,820
	EI2	0,755
	EI3	0,876
	EI4	0,908
Innovation	INO1	0,785
	INO2	0,920
	INO3	0,890
Market Orientation	MO1	0,598
	MO2	0,784
	MO3	0,867
	MO4	0,759
	MO5	0,748
Performance	PER1	0,897
	PER2	0,824
	PER3	0,850
Adaptive Strategic Planning	ASP1	0,513
	ASP2	0,467
	ASP3	0,806
	ASP4	0,795
	ASP5	0,825
	ASP6	0,842
	ASP7	0,844
	ASP8	0,760

Source: Own compilation based on the data analysis

Table 3
AVE, Reliability, R² and HTMT Ratio

Construct	AVE	Composite Reliability	R ²	EI	ASP	INO	MO
EI	0,709	0,906	-				
ASP	0,555	0,906	-	0,245			
INO	0,752	0,900	0,558	0,520	0,787		
MO	0,572	0,868	0,330	0,160	0,656	0,462	
BP	0,736	0,893	0,473	0,585	0,587	0,752	0,358

$$GoF = \sqrt{AVE \times R^2} = 0.548$$

Source: Own compilation based on the data analysis

The Heterotrait-monotrait (HTMT) ratio was employed to evaluate the discriminant validity problem. A construct was said to have no discriminant validity problem if the HTMT score among the constructs was below 0.9 (Alarcón et al., 2015). For this

study, the HTMT score among the variables varied between 0.160 and 0.787. Thus, there were no discriminant validity problems detected. The uni-dimensionality was tested through the score of composite reliability. Hair et al. (2010) suggested that to be a uni-dimensional construct, a variable must have a composite reliability score above 0.7. For this study, the score of composite reliability for each construct was above 0.7. Hence, all constructs employed in this study were uni-dimension. Table 3 shows the score of the AVE, composite reliability and HTMT for each construct.

3.3 Inner Model Evaluation

Upon the completion of the outer model evaluation, the next step was to conduct the inner model or structural model evaluation. This evaluation was done via the score of the coefficient determination (R^2) and Tenenhaus's Goodness of Fit (GoF) index. The following section discusses the results of the structural model investigation. As the nature of PLS is not confirmatory, there is no cut-off value recommended for the score of R^2 . It is suggested that the higher the score of R^2 , the better the robustness of the proposed structural model. In this study, the score of R^2 ranged between 0.330 and 0.580. While there is no cut-off value for R^2 , Tenenhaus suggested a cut-off value for the GoF index. Following Cohen's effect size calculation (1988), a GoF value of 0.1 is considered small, a GoF value of 0.25 is considered moderate and a GoF value of 0.36 is considered large. For this study, the value of GoF was 0.548, which is considered to be large. Referring to the score of the coefficient determination and the GoF index, the proposed structural model is considered to be robust. Thus, the hypothesis test was conducted.

3.4 Hypothesis Test

To answer the proposed research objective, five hypotheses were proposed. Two hypotheses pertain to the direct effect of adaptive strategic planning on business performance and the direct effect of entrepreneurial intensity on business performance and three hypotheses relate to the mediating role of both market orientation and innovation in the relationship between adaptive strategic planning and business performance and entrepreneurial intensity on business performance.

Hypothesis 1 suggests there is a direct effect of adaptive strategic planning on business performance. The statistical calculation shows that there is a positive significant effect from adaptive strategic planning to business performance ($\beta = 0.172$; $t = 2.091$). This means that Hypothesis 1 is supported. Similar to the direct effect of adaptive strategic planning on business performance, this study has found there is a direct effect of entrepreneurial intensity on business performance ($\beta = 0.300$; $t = 4.449$). This finding means that Hypothesis 2 is supported. While the first and the second hypotheses predicted the direct antecedents of business performance, Hypotheses 3, 4 and 5 have calculated the indirect effects of adaptive strategic planning and entrepreneurial intensity on business performance. Hypothesis 3 suggests that market orientation mediates the effect of adaptive strategic planning on business performance. The mediating analysis indicates that market orientation did not mediate the effect of adaptive strategic planning on business performance ($\beta = 0.021$; $t = 0.460$). While market orientation did not mediate the effect of adaptive strategic planning on business performance, this study has found that innovation played an importance role in mediating the effect of adaptive strategic planning on business performance ($\beta = 0.217$; $t = 4.295$). This means that Hypothesis 4 is supported. Similar to its mediation role in the relationship between adaptive strategic planning and business performance, this study has found there was a mediating effect of innovation in the relationship between entrepreneurial intensity and business performance ($\beta = 0.121$; $t = 4.087$), which means that Hypothesis 5 is supported. Table 4 summarises the results.

Table 4
Hypothesis Test

Hypothesis	Path	Coefficient	t-statistics	Remarks
H1	ASP → BP	0.172	2.091	Supported
H2	EI → BP	0.300	4.449	Supported**
H3	ASP → MO → BP	0.021	0.460	Not Supported
H4	ASP → Inno → BP	0.217	4.295	Supported**
H5	EI → Inno → BP	0.121	4.087	Supported**

ASP: Adaptive Strategic Planning; BP: Business Performance; EI: Entrepreneurial Intensity; MO: Market Orientation; Inno: Innovation

**sig: $p < 0.001$

4. Discussion

Two research objectives were addressed in this study. To answer the two research objectives, five hypotheses were developed in this study. The first research objective pertains to the direct effect of both adaptive strategic planning and entrepreneurial intensity on business performance. The second research objective is about the mediating role of market orientation and innovation in the relationship between adaptive strategic planning, entrepreneurial intensity and business performance. The following section will discuss the findings of this study. As the enrichment concept of strategic planning, the notion of adaptive strategic planning is about the formal strategic planning proposed by the business organisation that is flexible toward the changes in the business environment. Similar to the effect of strategic planning on business performance, the study has found there was a positive significant effect of adaptive strategic planning on business performance. This finding means the more flexible that the proposed strategic planning is, the better the performance will be. Practically, it implies that within a rapidly changing market, to have a good business performance, business organisations should be able to formulate a flexible strategic

plan. In this situation, a tight and rigid strategy would face difficulties in adapting to the rapid changes in the business environment. Thus, business organisations should pay attention to their strategic plan, especially in terms of allocating resources. The degree of strategic flexibility owned by the organisations can be evaluated through the degree of resource sharing that is done by the organisation. Furthermore, business organisations with flexible strategic planning tend to evaluate their strategic plan in order to match the firms' strategy with the internal and external firm environment which will enable the firms to reach a higher level of performance.

Similar to the effect of adaptive strategic planning on business performance, the study has shown the effect of entrepreneurial intensity on business performance. This finding strengthens that of the previous studies that suggested the effect of entrepreneurial intensity on performance (Iakovleva & Kickul, 2011; Morris & Sexton, 1996; Urban & Sefalafala, 2015). By having a significant role in affecting business performance, the higher the individual entrepreneurial intensity owned by the CEO or the owner of the business organisation is, the higher the business performance will be. This finding suggests that practically, the CEOs of owners of SMEs must have a high degree of entrepreneurship to enhance the performance of their business. The more CEOs or company owners feel confident and proud of the organisation, the more it will motivate them to do more innovation activities which will result in better business performance. Apart from its direct effect on business performance, adaptive strategic planning was found to have an indirect effect on business performance through innovation. This finding implies that the adaptive strategic planning created by business organization will affect business performance both directly and indirectly. Thus, the total effect of adaptive strategic planning on business performance is the aggregate effect between the direct and indirect effect through innovation. Practically it is suggested that business organisations should be able to enhance their innovation as it will help the organisation to enhance their performance.

As the variable mediating the effect of adaptive strategic planning on business performance, this study has also found out the mediating role of innovation in the relationship between entrepreneurial intensity and business performance. Similar to the indirect effect of adaptive strategic planning on business performance, the mediating effect implies that in terms of affecting business performance, entrepreneurial intensity will do so through both direct and indirect ways. The total effect of entrepreneurial intensity on business performance is the summation between its direct and indirect effects. This finding implies that in order to increase firm performance, the manager should pay attention to their strategic planning. The more adaptive and flexible the strategy, the more likely that it will lead to higher innovation and business performance. Upon the completion of the proposed research objectives, some theoretical and practical contributions were provided. The main contribution of this study is the comprehensive theoretical model explaining the relationship between adaptive strategic planning, entrepreneurial intensity, market orientation, innovation and business performance in the context of Indonesian Small and Medium Enterprises in the manufacturing industry. In addition, this study contributes to the theory by showing that innovation is a mediator, mediating the effect of both adaptive strategic planning and entrepreneurial intensity on business performance. From the practical standpoint, this study suggests that adaptive strategic planning formulated by SMEs as well as the owners' entrepreneurial intensity are the major elements in enhancing business performance. Thus, in order to have good business performance, SMEs should focus on their strategy and create a strong entrepreneurial spirit.

5. Conclusion, Limitation and Future Study

From the data analysis and the discussion that has been done, it can be concluded that in order to enhance firm performance, the managers need to pay attention to adaptive strategic planning. Furthermore, the managers also need to review and define their entrepreneurial intensity. This means a stronger entrepreneurial intensity will lead to higher business performance. Although this current study contributes to the literature on the inter-relationships between innovation, adaptive strategic planning, entrepreneurial intensity and performance, this study still has some limitations. The first limitation is about the sample drawn for this study. The respondents were recruited using purposive sampling and they only focused on the manufacturing industry. Thus, the results of this study cannot be generalised to other industries or settings with different characteristics. The next limitation is about the antecedents of business performance. In this study, the constructs were limited to innovation, adaptive strategic planning, market orientation and entrepreneurial intensity. Thus, future studies should integrate other constructs such as the knowledge of management behaviour and entrepreneurial orientation in order to strengthen the predictive power of the model.

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