

CHAPTER I INTRODUCTION

1.1. Background of the Study

In terms of GDP according to business, all business sectors in Q1-2020 show positive growth despite the main contributing sectors such as agriculture, manufacturing industry and trade experienced a significant slowdown. There are only three service sectors that recorded a significant increase in performance, namely 1) Information and Communication Sector, in line with changes in the pattern of many community activities which are conducted from home (Work From Home / WFH) by utilizing communication technology; 2) Financial Service and Insurance Sector, related to the high use of electronic money and internet banking platforms in line with the implementation of physical distancing and the increased risk due to volatility on financial markets; and 3) Health Services Sector, which is related to the implementation of patient handling affected by the COVID-19 pandemic.

Meanwhile, the Agriculture, Forestry and Fisheries Sector only slightly grew by 0.02 percent. This low performance is beyond expectations, considering that this sector is among those affected minimally by Pandemic COVID-19. The main source of weakness comes from contraction of Food Crop growth by -10.31 percent. This happens due to a shift of paddy harvest period and weather disturbances at the beginning of the year. Weather factor also has an impact on slowing Horticulture performance which was only able to grow by 2.55 percent. Plant Plantations grew relatively well but were limited, as there was an increase in

prices and volumes of CPO export. The livestock business group grew slowly due mainly to the presence of delayed shipping of logistic to the COVID-19 epicenter region, resulting in slowed expansion of production. Fisheries are still growing positively but are slowing down due to the decrease of domestic demand and the decline in fishing industry activity.

Table 1. The performance of all economic sectors in 2017-Q1 2020 (in percent)

Business Sector	2017	2018	2019	Q1 2020
1. Agriculture, Forestry and Fisheries	3,87	3,87	3,64	0,02
2. Mining and Excavation	0,66	2,16	1,22	0,43
3. Manufacturing Industry	4,29	4,27	3,80	2,06
4. Electricity and Gas Procurement	1,54	5,47	4,04	3,85
5. Water Supply, Waste and Recycling Management	4,60	5,46	6,83	4,56
6. Construction	6,80	6,09	5,76	2,90
7. Wholesale and Retail Trade; Car Repairs and Motorcycle	4,46	4,97	4,62	1,60
8. Transportation and Warehousing	8,49	7,01	6,40	1,27
9. Provision of Accommodation and Food and Drink	5,39	5,66	5,80	1,95
10. Information and Communication	9,63	7,04	9,41	9,81
11. Financial Services and Insurance	5,47	4,17	6,60	10,67
12. Real Estate	3,66	3,58	5,74	3,83
13. Company Services	8,44	8,64	10,25	5,39
14. Government Administration, Defense and Social Security	2,06	7,02	4,67	3,16
15. Educational Services	3,70	5,36	6,29	5,89
16. Health Services and Social Activities	6,84	7,13	8,68	10,39
17. Jasa lainnya	8,73	8,99	10,55	7,09
18. Pajak Dikurang Subsidi Atas Produk	13,33	10,58	n/a	n/a
GDP	5,07	5,17	5,02	2,97

Source: BPS; Economic, Finance & Fiscal Review, June 2020, p.47, Fiscal Policy Agency, Ministry of Finance; Central Government Financial Report Year 2018, p.19 (LKPP Tahun 2018, Mei 2019), Ministry of Finance

The Manufacturing Industry Sector is a sector that is deeply affected by the pandemic COVID-19. This sector was only able to grow by 2.06 percent due to restrictions on production activities in various industry groups, as well as a decrease in demand both domestically and export. In terms of the performance of the main industry groups, weakening demand caused several industries to experience a contraction in growth, including: Textiles and Garments, Rubber and

Plastic Products, Electronics, and Machinery and Equipment. Some other industries noted a significant slowdown, such as Food-Beverage, Chemical-Pharmaceutical, and Basic Metals.

Judging from the development of growth source composition, there is an indication of a shift in the economic structure from the secondary (industrial) sector to the tertiary sector (services). The contribution of the tertiary sector, especially the financial services, information and communications sector continues to increase, while the contribution of the industrial sector in the last five years has decreased.

Schumpeter (1934) emphasized the importance of the role of entrepreneurs in the economic activities of a country, so as to promote economic growth. According to him, entrepreneurs are a group that will constantly make renewal or innovation in economic activities. The innovation involves introducing new goods, enhancing efficiency in producing goods, expanding the market of goods to new markets, developing new sources of raw materials, and making changes in the organization (Schumpeter, 1934). Thus, the role of entrepreneurs is necessary to encourage the economy of a country, where the business world will absorb more labor, reduce unemployment and poverty which will further improve the welfare of the people (Schumpeter, 1934).

In 2018 the number of entrepreneurs in Indonesia is 64,199,606 units. Of these, the number of Micro, Small and Medium Enterprises (MSMEs) reached 64,194,057 units or 99.99%. The remaining, approximately 0.01% or 5,550 units,

is a large-scale business (Ministry of Cooperatives and SMEs Republic of Indonesia, 2018, <http://www.depkop.go.id/data-umkm>).

In Indonesia, the Law regulating Micro, Small and Medium Enterprises (MSMEs) is Law Number 20 Year 2008. In the law, UMKM or MSMEs is described as: "A company classified as MSME is a small company owned and managed by someone or owned by a small group of people with a certain amount of wealth and income."

Table 2. Characteristics of MSMEs and Large Enterprises

Business Size	Characteristics
Micro Businesses	<p>The types of goods / commodities are not always fixed; at any time may change.</p> <p>The place of business is not always permanent; at any time can move place.</p> <p>Have not done any simple financial administration yet.</p> <p>Not separating family finances from business finance.</p> <p>Human resources (entrepreneurs) do not yet have an adequate entrepreneurial spirit.</p> <p>The average education level is relatively low.</p> <p>Generally do not have access to banks, but some have access to non-bank financial institutions.</p> <p>Generally have no business license or other legality requirements including NPWP.</p> <p>Examples: Trading businesses such as street vendors and traders in the market.</p>
Small Businesses	<p>Types of goods / commodities cultivated generally still not easy to change.</p> <p>Location / place of business is generally settled not moving.</p> <p>In general have done financial administration though still simple.</p> <p>Corporate finance has begun to be separated from family finances.</p> <p>Already making a balance sheet.</p>

Business Size	Characteristics
	<p>Already have business license and other legality requirements including NPWP.</p> <p>Human resources (entrepreneurs) have experience in entrepreneurship.</p> <p>Some already have access to banking in the capital needs.</p> <p>Most have not been able to make good business management such as business planning.</p> <p>Example: Traders in wholesale markets (agents) and other collectors.</p>
Medium Enterprises	<p>Have better management and organization, with clear division of tasks, among others, finance, marketing and production.</p> <p>Has done financial management by applying the system of accounting with regularly so as to facilitate for auditing and assessment or examination including by banking.</p> <p>Have conducted rules or management and labor organizations.</p> <p>Already have legality requirements including neighbor's permit.</p> <p>Already have access to banking funding sources.</p> <p>Generally have trained and educated human resources.</p> <p>Example: Mountain stone mining business for construction and artificial marble.</p>
Large Enterprises	<p>Productive economic undertakings carried out by a business entity with net worth or greater annual sales from Medium-sized Enterprises, which include state-owned or private national businesses, joint ventures, and foreign businesses engaging in economic activity in Indonesia.</p>

Source: LPPI & BI, 2015

Furthermore, the criteria of MSMEs and Large Enterprises according to Law No.20 Year 2008 is as the following:

Table 3. MSME & Big Business Criteria Based on Assets and Revenue

Business Size	Criteria	
	Asset	Revenue
Micro Businesses	Maximum of Rp 50 million	Maximum of Rp 300 million
Small Businesses	> Rp50 million – Rp500 million	>Rp300 million – Rp2.5 billion
Medium Enterprises	>Rp500 million – Rp10 billion	>Rp2.5 million – Rp50 billion
Large Enterprises	>Rp10 billion	>Rp50 billion

Source: Article 6 of Law No.20 Year 2008 on the criteria of MSMEs in the form of capital

Micro Business is productive business owned by individual and / or individual business entity fulfilling the criteria of Micro Business as regulated in this Law, where the asset criterion is maximum of Rp 50 million, and income criterion is maximum of Rp 300 million rupiah. Meanwhile, the asset criterion of small business, medium enterprise and large enterprise is (i) more than Rp50 million up to Rp500 million, (ii) more than Rp500 million up to Rp10 billion, and (iii) more than Rp10 billion, respectively.

Table 4. Development of MSMEs and National Big Enterprises in Indonesia Year 2017-2018

Description	Business Amount (unit)		Manpower (people)	
	2017	2018	2017	2018
Large Enterprises	5,460	5,550	3,828,953	3,619,507
Medium Enterprises	58,627	60,702	4,374,851	3,770,835
Small Businesses	757,090	783,132	6,546,742	5,831,256
Micro Businesses	62,106,900	63,350,222	105,509,631	107,376,540

Source: Ministry of Cooperatives and SMEs, 2018

Based on the above table, during the year 2017 to 2018, there was growth in MSMEs' business amount as well as growth in amount of large businesses.

Micro Businesses, Small Businesses and Medium Enterprises grew by 2,0%, 3,4% and 3,5%, respectively. Meanwhile, Large Enterprises grew by 1,6% in 2018.

In terms of manpower, there was a decline during the year 2017 to 2018, especially in Small Businesses, Medium Enterprises and Large Enterprises which have a negative growth of -10,9%, -13,8% and -5,5%, respectively. Micro Businesses, on the other hand, have a positive manpower growth of 1,8% in 2018. The next paragraph will discuss the reason why this study prefers to choose research in the context of large enterprises instead of small-medium enterprises.

Most studies conducted on the EO topic in developing countries have been focused on Small and Medium sized Enterprises (SME). Gupta and Batra (2015) argued that they preferred research in the context of SMEs, which have fewer hierarchical levels and shorter chain of command than large firms, as organizational impediments such as hierarchical administrative structure may undermine the viability of EO efforts. However, the secret to sustainable competitive advantage for large firms in this era is not only simply to lower costs or restructure for efficiency but also the necessity to act in an entrepreneurial manner (Burns, 2008). Fundamentally, a large firm faces different challenges than the challenges faced by a small firm. This is generally because both types of firms have different organizational designs and management styles (Ambad and Wahab, 2013). Accordingly, it is important to conduct separate studies on the effects of entrepreneurial values and entrepreneurial orientation on firm performance according to firm size. This is because it is questionable whether the results of studies on small firms can be generalized to larger firms and vice versa

(Andersen, 2010). Therefore, the objective of this study is to investigate the effects of entrepreneurial values and entrepreneurial orientation on the financial performance of large firms, with environmental dynamism and resource availability as moderating variables, and the firms' future intention in terms of intention to sustainable development and intention to collaboration, which have not much been explored so far, particularly in emerging economy such as Indonesia. The next paragraphs will discuss the reason why this study prefers selecting State-Owned-Enterprises which can be listed or unlisted in Indonesia Stock Exchange (Bursa Efek Indonesia / BEI).

Listed large companies are the companies that are listed on a stock exchange where its shares are freely tradable and investors can purchase and sell shares at their discretion. Such investors become shareholders of the respective company upon the purchase of shares. A company may be listed on the Main Market of the stock exchange (suitable for bigger and more established companies) or the Alternative Investment Market (much suited for relatively new companies). All capital markets have local stock exchanges while large scale international stock exchanges such as the New York Stock Exchange (NYSE) and the London Stock Exchange (LSE) trade in millions of shares on a daily basis.

Unlisted large companies are large companies that are not listed in stock exchanges, therefore are privately held or owned by government or private sector. Since they are not listed, they do not have the opportunity to raise finance through share offer to public investors. Instead, they can issue shares to known parties such as family and friends in order to raise equity or financed by government. The

trading of shares are “over the counter” where the specifications of the deal can be made according to the requirements of the parties involved (buyers and sellers); thus, the exchange of controls that is found in stock markets is avoided. Unlisted companies exert better control over their business operations.

Other characteristics of listed companies are (i) shares are highly liquid since there is a readily available market and (ii) value of the company can be easily derived since the market value can be easily calculated. On the other side, characteristics of the unlisted companies are (i) shares do not have a readily available market; thus they are illiquid and (ii) due to the unavailability of a market price, valuing the company is often ambiguous and sometimes the market value of a proxy listed company should be used to arrive at a suitable market value.

This study will utilize state-owned enterprises which are either listed or unlisted in Indonesia Stock Exchange (Bursa Efek Indonesia) as the analysis unit of study. The selection of state-owned enterprises is inspired by the research conducted by Koe (2013) who examined the effect of EO on financial performance of Government-Linked Companies (GLCs) in Malaysia. Koe (2013) found the fact that Government-Linked Companies (GLCs) can be considered as an important driver of Malaysia development since they account for 54% of capital market in Kuala Lumpur composite index, hire about 5% of the workforce, provide strategic utilities and services to the public, execute the country’s industrial policy, and establish international linkages. Similarly, in its relation as a development agent, Indonesia’s State-Owned Enterprises or BUMNs (the terms of

SOE and BUMN will be used interchangeably) have played a strategic role by being actively involved in national priority projects and pioneering business activities that cannot yet be carried out by the private sector to encourage equitable development in Indonesia. State-owned enterprises are mandated to play a dual role to sustainably improve economic value and public services in the long run (Ministry of State Owned Enterprises, 2019).

State-owned enterprises or BUMNs have so far been heavily regulated by the government. This is intended to create a strong and clear legal foundation for stakeholders. Through the laws and regulations, there is a hope that those laws and regulations can become the basis for the formulation of clear directions, targets, programs and government policies for BUMNs so that they can become guidelines for all related parties. In 1983, the Indonesian government issued Government Regulation No.3 Year 1983 concerning Procedures for the Development and Supervision of “Perjan”, “Perum” and “Persero”, which was intended to increase the role of state-owned enterprises and simultaneously to increase the government’s control (Ministry of State Owned Enterprises, 2019). After the issuance of Law number 19 Year 2003 concerning State-Owned Enterprises, the form of BUMN is divided into two types, namely i) Limited Liability Companies, which are BUMN in the form of Limited Liability Companies (Perseroan Terbatas), whose capital is divided into shares wholly or at least 51% (fifty one percent) of its shares are owned by the Government of Indonesia with the main objective of pursuing profit, and ii) General Company, hereinafter referred to as “Perum”, is a BUMN whose capital is wholly owned by

the government but is not divided into shares, with the aim of providing public benefit in the form of providing goods / services and at the same time pursuing profits based on the principles of company management (Ministry of State Owned Enterprises, 2019).

In 2005, two Government Regulations relating to BUMN were issued, namely i) Government Regulation Number 43 Year 2005 concerning mergers, consolidations, acquisitions, and changes to legal entities, and ii) Government Regulation Number 44 Year 2005 concerning procedures for the participation and administration of state capital in BUMN and Limited Liability Companies. In 2005, the government also issued Government Regulation Number 33 Year 2005 concerning the procedures for the privatization of the company (Persero) which is a policy on the privatization of BUMN. In 2009, the government established a policy on BUMN privatization through the enactment of Government Regulation Number 59 Year 2009 concerning amendments to Government Regulation Number 33 Year 2005 (Ministry of State Owned Enterprises, 2019).

In 2019, a new regulation or policy was issued, namely Presidential Decree Number 81 Year 2019 concerning Ministry of State Owned Enterprises, that provides detail information about job and function, organization structure and working procedure of Ministry of State Owned Enterprises. These kinds of regulation has raised issues such as: i) does the local government set any policies that support SOE entrepreneurship activities and ii) how much these policies help SOEs. Liu et al. (2013) in their study contended that there is an indication that the entrepreneurial activities are strongly influenced by the government which reflects

on their policy-setting activities. There are three aspects of policies that are related to the entrepreneurial activities: the human resource policy; technological policy; and financial economic policy. The human resource policy is especially directed to the entrepreneurial cultivation and training of professional talents. Meanwhile, technological policy is set to ensure the effective utilization of new technology or the cooperation between enterprises and research institutes or universities regarding patent purchase and technology transfer. In terms of financial resources, government may also establish policies that can guarantee the sufficient and efficient capital supply for the enterprises, for instance, the enterprise innovation funding policy, credit and guarantee policies (Liu et al., 2013).

In their study, Liu et al. (2013) show that the local government in Wenzhou had played an important role in the industrial cluster development and the entrepreneurial activities. It was found that the Wenzhou government not only creatively developed the policy environment for the entrepreneurial activities, but also designed the industrial development plans according to regional industrial characters. Since the 1990s, there was an evidence that entrepreneurial activities have become even more popular in Wenzhou. The local government of Wenzhou set regulations to facilitate the development of private enterprises and family business and encouraged them to change into share-issuing enterprises and also established several policies to promote the large firms' secondary entrepreneurial activity and the SMEs' development.

Alon et al. (2014, p. 5) also stated in their study that "the Chinese government in recent years has played a more active role in sponsoring and

providing support for firms to go global, and this shift toward institutional entrepreneurship has already had a major impact on the internationalization of Chinese firms, especially the SOEs”. While other governments around the world have developed various laws and regulations to encourage inward Foreign Direct Investment, the Chinese government has been playing the role of facilitator in the globalization of its leading SOEs by promoting Outward Direct Investment (Alon et al., 2014).

Despite the importance of regulation or policy aspect in influencing entrepreneurial activities, this study does not include the regulation variable in the research model. Thus, the impact of regulation on entrepreneurial activities is not specifically investigated and analyzed quantitatively. However, the impact of regulation on entrepreneurial activities of Indonesian BUMNs is investigated in a Focus Group Discussion which consists of seven representatives (CFO or Vice President) of BUMNs from different clusters as participants. The result of Focus Group Discussion is provided in the discussion in chapter four.

In terms of economic value, in 2019, the realization of the Indonesian BUMNs’ dividend and tax value reached Rp 491.7 trillion or exceeded the 2019 target of Rp 407.7 trillion. The realization of the investment value reached Rp 489 trillion or still below the target of Rp 764 trillion.

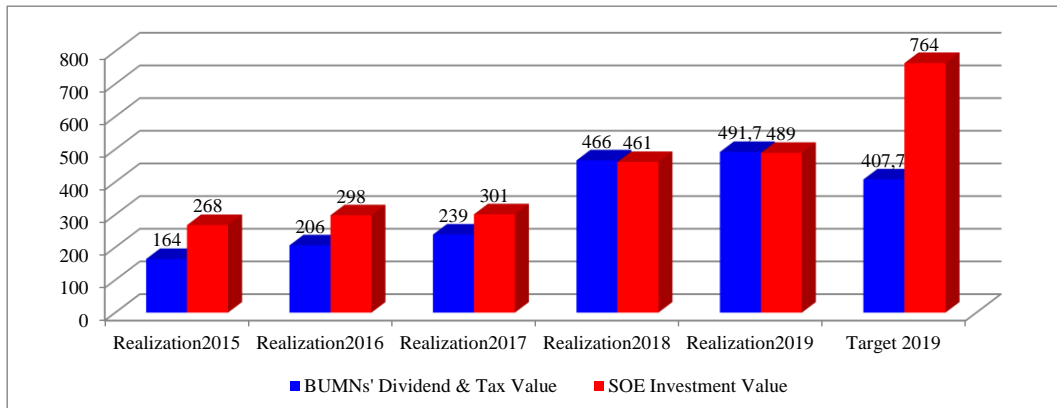


Figure 1. Realization of Dividend, Tax Value and Investment (Rp trillion)

Source: Ministry of State Owned Enterprises' Performance Report Year 2019 (Laporan Kinerja KBUMN 2019).

Meanwhile, the contribution of BUMNs' dividends and taxes to the Indonesian economy (Gross Domestic Product / GDP) in 2018 reached 3.1% and in 2019 it is estimated at 3.0%. This fact indicates that there is still a lot of opportunity for increasing the BUMNs' contribution to the economy. Thus, the role of entrepreneurial activities to enhance the BUMNs' contribution to the Indonesian economy is highly expected.

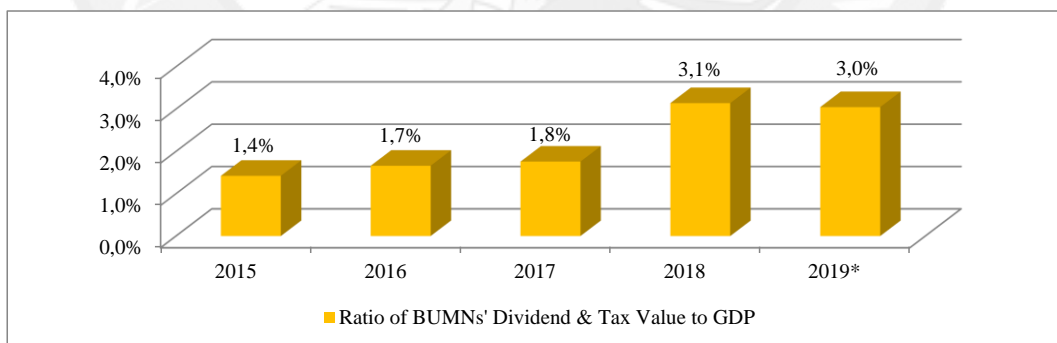


Figure 2. Contribution of BUMNs' Dividends and Taxes to Economy

Source: Ministry of State Owned Enterprises' Performance Report Year 2019 (Laporan Kinerja KBUMN 2019) and Central Bureau of Statistics: Statistical Yearbook of Indonesia 2019, self calculated.

Furthermore, this study will focus on parent companies listed in Ministry of State-Owned Enterprises, Republic of Indonesia, which will be discussed below.

Until the end of 2018, the total assets of State-Owned Enterprises (including subsidiaries and sub-subsidiaries) have exceeded Rp 8,200 trillion, up 42% from 2015 value of Rp 5,760 trillion. In the same period, total profits reached Rp 212 trillion, growing by 32.5% from the previous value of Rp 160 trillion. While in terms of contributions to the State Budget (APBN) there was an increase of 50% in 2018 to Rp 454 trillion from Rp 303 trillion in 2015.

According to the website of Ministry of State-Owned Enterprises, initially there are 115 State-Owned Enterprises which are classified as parent companies. The composition of those State-Owned Enterprises or BUMNs can be seen as follows.

Table 5. The Composition of State-Owned Enterprises

No	State-Owned Enterprises (BUMNs)	Amount	%
1	Accommodation and Provision of Food and Beverage	1	0.9%
2	Manufacturing Industry	30	26.1%
3	Information and Telecommunications	3	2.6%
4	Financial Services and Insurance	19	16.5%
5	Professional, Scientific, and Technical Services	10	8.7%
6	Construction	9	7.8%
7	Water Supply, Waste Management and Recycling	2	1.7%
8	Gas, Steam and Cold Air Procurement	2	1.7%
9	Wholesale and Retail	4	3.5%
10	Mining and Excavation	2	1.7%
11	Agriculture, Forestry, and Fisheries	7	6.1%
12	Real Estate	2	1.7%
13	Transportation and Warehousing	24	20.9%
	Total	115	100%

Source: <http://bumn.go.id/halaman/situs/>, self calculated.

The Manufacturing Industry has been the largest portion in amount of BUMNs (26.1%), followed by Transportation and Warehousing sector (20.9%) and Financial Services and Insurance sector (16.5%).

In line with the Ministry's strategy to merge several State-Owned Enterprises or stop the operation of those BUMNs with poor performance, the total amount of State-Owned Enterprises gradually decrease to 114 companies.

Furthermore, Ministry of State-Owned Enterprises has categorized State-Owned Enterprises (BUMNs) by their business size as follows:

- Large size, a BUMN that has assets of more than IDR 100 trillion can be categorized as a large-sized BUMN;
- Medium size, a BUMN that has assets between IDR 10 trillion and IDR 100 trillion can be categorized as a medium-sized BUMN;
- Small size, a BUMN that has assets less than IDR 10 trillion can be categorized as a small-sized BUMN.

Table 6. State-Owned Enterprises Category by Business Size

No	Business Size	State-Owned Enterprises (BUMNs)	
		Amount	Percentage (%)
1	Large	12	11
2	Medium	29	25
3	Small	73	64
	Total	114	100

Source: Profil BUMN 2019, <https://bit.ly/3bGeBKB>

Despite there are 64% of BUMNs are categorized as small business, their assets are still far more than IDR 10 billion, which according to Article 6 of Law

No.20 Year 2008 on the criteria of MSMEs in the form of capital, those BUMNs can be classified as large enterprises.

For the time being, due to some mergers among BUMNs, the amount of BUMNs have decreased again to 106 BUMNs which are then used as the population in this study (the list of these 106 BUMNs is provided in chapter 3).

The above explanation and criteria of selection have been the reason why this study prefers to choose State-Owned Enterprises (BUMNs) which are categorized as large enterprises. Furthermore, the next paragraph will discuss previous literature underlying the selection of financial performance construct in this study.

Performance is a multidimensional concept and the relationship between EO and performance may depend upon the indicators used to assess performance (Lumpkin & Dess, 1996). Entrepreneurial activities or processes may lead to favorable outcomes on one performance dimension and unfavorable outcomes on a different performance dimension (Lumpkin & Dess, 1996). Financial information (i.e., return on investment, return on equity, sales growth, profitability etc.) is the most extensively explicit and valid information among the other performance dimensions (Aktan & Bulut, 2008). While the relationship between the EO construct and non-financial goals, such as increasing the satisfaction of the owner of the firm, is less straightforward (Rauch et al., 2009). Wiklund and Shepherd (2004) operationalized small business performance as an index of seven commonly used performance measures pertaining to financial performance and

growth, not as a multidimensional construct. It was concluded that EO has a universally positive effect on financial performance (Wiklund & Shepherd, 2004).

Concerning the measurement of performance, Rauch, et al., (2009) conducted a meta-analysis of the EO-performance relationship, which significantly provided guidance for future EO-performance studies. They found that there are seven studies relied solely on archival financial performance measures, two combine archival and perceived financial measures of performance, while one study combined all three aspects of performance (archival financial, perceived financial and perceived non-financial) into a global performance measure. Of the remaining studies, eleven utilized combinations of perceived financial and non-financial performance, while 21 used perceived financial performance only. Finally, nine studies relied on perceived non-financial performance only. Thus, similar to the measurement of EO, there is substantial variation in terms of business performance measurement, but self-perceived performance measures clearly dominate EO research. In addition, more literature regarding financial performance and business performance will be discussed below.

The empirical literature reports a high diversity of performance indicators. When investigating the relationship between EO and firm's performance, there might appear a question whether we should use firm's business performance or financial performance. Venkatraman and Ramanujam (1986) note that a broad conceptualization of business performance includes emphasis on indicators of operational performance (i.e., non-financial) in addition to indicators of financial

performance. Financial information (e.g. Return on Investment, Return on Equity, Growth of Sales, Profitability, etc), however, is the most extensively explicit and valid information among other performance dimensions (Aktan & Bulut, 2008). On the other hand, financial information should also be available particularly for regulatory and supervisory bodies for auditing the certain fiscal issues and taxations (Aktan & Bulut, 2008). Therefore, the conceptual argument of the EO–performance relationship focuses mainly on financial aspects of performance (Rauch et al., 2009). They argue that there is little direct effect of EO on non-financial performance because this relationship is weak. Thus, Rauch et al. (2009) suggest that it is better using financial performance than non-financial performance. Referring to the above argumentation, this study will also focus on financial performance as dependent variable instead of business performance or non-financial performance. To explore more on financial performance aspect, the next paragraph will discuss the dimensions or parameters of financial performance that are usually used in previous literature.

Many scholars have argued that firm performance is a multidimensional construct and performance as a dependent variable can be reflected in different ways (Hamann et al., 2013; Miller et al., 2012; Richard et al., 2009). In earlier study, Covin and Slevin (1991) argued that a firm’s economic performance is generally acknowledged to have two primary dimensions – growth and profitability. The example of financial criteria implied by these two dimensions would include sales growth rate, return on assets, and the profit-to-sales ratio. Aktan and Bulut (2008) contended that financial performance refers as a firm’s

ability to generate new resources from day to day operations over a given period of time. The financial performance measures can be divided into two major types: (1) traditional measures based on accounting/financial data (i.e. the effect of actions on one year's profits, ROI, ROE, etc.) which reflect a firm's past performance; and (2) market-based measures derived from stock market values (i.e. Economic Value Added [EVA] and Market Value Added [MVA] approaches) which are based on valuation principles (Aktan and Bulut, 2008).

In later literatures, numerous researchers have used and continue to use different combinations of accounting returns, growth, and stock market performance to assess the overall performance of a firm. For example, Ambad and Wahab (2013) used Returned on Assets (ROA) and Return on Sales as performance dimensions. While other researchers such as Campos and Valenzuela (2013) used cash flow from operations, return on capital employed, and sales growth; Shirokova et al. (2015) used sales growth as performance dimension. Following this argument, this present study adopts a multiparameter view of firm performance that is based on eight financial aspects, which are Revenue Growth, Net Profit Growth, Market Capitalization Growth, Sales Growth, Return on Assets, Return on Equity, Return on Investments and Price-Earning Ratio. These eight financial performance indicators are measured as perceived financial performance instead of archival financial performance which will be clearly discussed in the next paragraph.

In terms of financial performance, studies can rely on self-report (perceived financial performance) or archival financial performance data collected

from secondary sources (Rauch et al., 2009). While self-reported data may offer greater opportunities for testing multiple dimensions of performance, such as comparisons with competitors (e.g., Wiklund & Shepherd, 2005), such measures may be subject to bias because of social desirability, memory decay and/or common method variance (Rauch et al., 2009). On the other hand, archival financial performance of unlisted firms or SMEs might not be easy to collect. Despite the weaknesses, perceived financial performance is more popular and mostly used in literatures which are researched in Rauch et al.'s (2009) meta-analysis. Furthermore, the variables in this study, Entrepreneurial Orientation and Entrepreneurial Values, Resource Availability, Environmental Dynamism, Intention to Sustainable Development dan Intention to Collaboration will also be measured using self-reported data (questionnaire). To be consistent, this present study will also use perceived financial performance (questionnaire) which will be distributed to and collected from CEOs/CFOs of Indonesian state-owned enterprises. To better understand one of the independent variables examined in this study, the next paragraph will specifically discuss Entrepreneurial Orientation from previous studies point of view.

Early researchers attributed entrepreneurial behaviors to psychological traits and social-cultural backgrounds (Begley & Boyd, 1987; Bird, 1989). This was reinforced by later studies concluding that cultural dimensions have influences on entrepreneurial dimensions (Mueller & Thomas, 2000; Kee-Seon Yoo, 2015). Another study suggested that the concept of self-efficacy, derived from social learning theory (Bandura, 1977a, 1977b, 1982), plays an

important role in the development of entrepreneurial intentions and actions (Boyd & Vozikis, 1994). Other research found that certain personality traits increase entrepreneurial intentions (Göksel & Aydınhan, 2011). It was argued that leader personality is critical to entrepreneurship (Yang & Dess, 2007).

Later, researchers came to recognize the importance of environmental and structural aspects of the firm as well as decision making and strategic factors in shaping entrepreneurial behaviors (Bloodgood et al., 1995; Gartner, 1985; Miller, 1983; Peterson & Berger, 1972). Entrepreneurial orientation has its roots in the strategy making process literature (Rauch et al., 2009; Mintzberg, 1973). Strategy making is an organization-wide phenomenon that incorporates planning, analysis, decision making, and many aspects of an organization's culture, value system, and mission (Hart, 1992). Although these studies prescribe different and often contrasting sources of entrepreneurship, there is one commonality among these perspectives that entrepreneurial behavior emanates from individual actors (Yang & Dess, 2007).

Yang and Dess (2007) explored the origin of entrepreneurial orientations from an organizational embeddedness perspective and extend this line of research by arguing that firms' entrepreneurial behavior, referred as "entrepreneurial orientation" (EO) by Lumpkin and Dess (1996, p. 136), is also embedded in their entrepreneurial networks (Hite & Hesterly, 2001). Following the traditional approach, many researchers conceptualized EO with three dimensions: innovation, risk-taking and proactiveness (Covin & Slevin, 1989; Miller, 1983; Miller & Friesen, 1982). However, risk-taking, proactiveness and innovativeness

are not developed in a social vacuum. Rather, they can be either strengthened or weakened by the social networks in which firms are embedded (Yang & Dess, 2007).

In many studies, EO is viewed as a composite construct and defined as the simultaneous exhibition of innovativeness, proactiveness, and risk taking (Covin & Slevin, 1989; Miller, 1983; Arbaugh et al., 2009). Innovation refers to an organization's strong commitment to creating and introducing new products, services, or technological processes to the market (Lumpkin & Dess, 1996; Zahra, 1993). Risk-taking is characterized by "a tendency to take bold actions such as venturing into unknown new markets, committing a large portion of resources to ventures with uncertain outcomes, and/or borrowing heavily" (Lumpkin & Dess, 2001, p. 431). While proactiveness is defined as "an opportunity-seeking, forward-looking perspective involving introducing new products or services ahead of the competition and acting in anticipation of future demand to create change and shape the environment" (Lumpkin & Dess, 2001, p. 167).

However, in the later studies of EO, it was argued that innovativeness, risk-taking, and proactiveness may vary independently, depending on the environmental and organizational context (Lumpkin & Dess, 1996). There are also many studies that have revealed that EO has a multidimensional structure (Lumpkin & Dess, 2001; Aktan & Bulut, 2008). This issue will be further explored in the Literature Review.

It was also argued that the magnitude of each EO dimension will be affected by social networks in terms of positional, structural and relational

embeddedness (Yang & Dess, 2007). For example, from a structuralist perspective, a firm's risk-taking orientation may be contingent upon the nature of its network structure. Different network structures breed and encourage various levels of firms' risk-taking behavior (Perry-Smith & Shalley, 2003). In spite of that, building contacts and networks are the primary factors in determining the success of any organization (MacMillan, 1983). The dimensions of EO may vary independently as proposed by some early researchers. Risk-taking, proactiveness, and innovativeness have different formation mechanisms and firms may have various combinations under certain network situations. For example, firms may have a high level of innovativeness, but a low level of proactiveness and risk-taking in a dense network which is a situation where firms interact frequently with other members and efficiently transmit information (Yang and Dess, 2007).

The two dominant perspectives on EO view the concept either as a composite construct—one in which EO is represented by the qualities that risk taking, innovative, and proactive behaviors have in common (Covin & Slevin, 1989; Miller, 1983)—or as a multidimensional construct in which risk taking, innovativeness, proactiveness, competitive aggressiveness, and autonomy are treated as independent behavioral dimensions that define EO's conceptual space (Lumpkin & Dess, 1996). Competitive aggressiveness is the intensity of a firm's effort to outperform rivals and is characterized by a strong offensive posture or aggressive responses to competitive threats. Autonomy refers to independent action undertaken by entrepreneurial leaders or teams directed at bringing about a new venture and seeing it to fruition (Rauch et al., 2009). As observed by Covin

and Lumpkin (2011), the composite and multidimensional views of EO represent distinct constructs rather than competing perspectives on the same construct.

Table 7. The Key Differences between Composite and Multidimensional EO Construct

Definition of Entrepreneurial Orientation			
Miller (1983); Covin & Slevin (1989)		Lumpkin & Dess (1996)	
1	Miller (1983); Covin & Slevin (1989) proposed 3 (three) dimensions of EO: 1. Innovativeness 2. Risk-Taking 3. Proactiveness	1	Lumpkin & Dess (1996) proposed 5 (five) dimensions of EO which consist of 3 dimensions suggested by Miller (1983) and two additional dimensions: 1. Innovativeness 2. Risk-Taking 3. Proactiveness 4. Competitive Aggressiveness 5. Autonomy
2	Miller (1983); Covin & Slevin (1989) argued that EO should be viewed as a composite (unidimensional) construct and defined as simultaneous exhibition of innovativeness, proactiveness, and risk taking, thus each dimension should relate to performance in similar ways	2	Lumpkin & Dess (1996) argued that EO should be viewed as multidimensional construct, meaning that the dimensions of EO may occur in different combinations, thus the 5 dimensions of EO may relate differently to firm performance
3	Covin & Slevin suggest that competitive aggressiveness and proactiveness can be treated as identical or interchangeable	3	Lumpkin and Dess, by contrast, suggest that competitive aggressiveness and proactiveness dimensions are distinct

Source: Covin & Slevin (1989, 1990); Lumpkin & Dess (1996, 2001); Rauch et al. (2009)

From the above table can be seen that Lumpkin and Dess (1996) adopt three dimensions as proposed by Miller (1983) and add two new additional dimensions – Competitive Aggressiveness and Autonomy.

Although EO is less consistently defined within the literature, most scholars view EO as a phenomenon associated with corporate entrepreneurship. As observed by Antoncic and Hisrich (2001, 2003), the corporate entrepreneurship construct has commonly been conceptualized as either a set of firms' activities that include new business/venturing activity, innovativeness, and self/strategic renewal (Guth & Ginsberg, 1990) and exemplified in Zahra's (1991, 1993) research or as a firm's EO as initially suggested by Miller (1983) and exemplified in Covin and Slevin's (1989) and Lumpkin and Dess's (1996).

Other research reinforced the concept that EO may be viewed as a firm-level strategy making process used to pursue venture creation, sustain a vision, and create competitive advantages (Rauch et al., 2005). A firm-level perspective of entrepreneurship is appropriate to capture the actual behaviors by the firm since an entrepreneurial posture is significantly affected by multiple organizational system elements (Covin & Slevin, 1991). In many situations, entrepreneurship is shown to be a firm-level phenomenon (Covin & Slevin, 1991; Miller, 1983; Stevenson & Jarillo, 1986; Zahra, 1991, 1993). Yang and Dess (2007) adopted this firm-level perspective of entrepreneurship and argued that the dimensions of EO are constrained by firms' network positions and their network structure as a whole.

On the other side, extant research has shown that EO is frequently associated with firm performance (Engelen et al., 2015). In an environment of rapid change and shortened product and business model lifecycles, the future profit streams from existing operations are uncertain and businesses need to constantly seek out new opportunities. Therefore, firms may benefit from adopting an EO that is empirically proven to lead to higher performance (Lumpkin, & Dess, 2001; Rauch et al., 2009; Al-Swidi & Al-Hosam, 2012; Gupta & Batra, 2015). Even in a multi-country study of EO, it was found to significantly predict firm performance in terms of profitability and changes in net worth (Arbaugh et al., 2009).

However, there is still a debate among researchers on how EO dimensions influence corporate performance. It was argued that the relationship between EO and performance is context specific and the dimensions of EO may vary independently of each other in a given context (Lumpkin & Dess, 1996; Aktan & Bulut, 2008; Shirokova et al., 2015). Other studies also supported the idea that EO dimensions (innovation, risk-taking, proactiveness) are of equal importance (EO represents a unidimensional construct) in explaining business performance (Rauch et al., 2009; Arbaugh et al., 2009). To better understand why this study prefers to examine the EO concept, the next paragraph will discuss the importance of EO from previous literature point of view.

In the strategy literature, innovation is an important concept that creates value for companies and enables sustainable competitive advantage in the complex and rapidly changing business environment. Firms that have higher

innovation capabilities are more successful in responding to changing conditions and developing new capabilities to adopt changes and as a result achieve better performance (Montes et al., 2004). Innovation, which is related to organizations' adoption of a new idea or behavior, occurs in different types such as product innovation, process innovation, service innovation and technological innovation. Also, according to Ireland and Webb (2007), entrepreneurial activities have effects on innovations of the firms. Innovation itself is one of dimensions of Entrepreneurial Orientation construct (Miller, 1983; Covin & Slevin, 1989; Lumpkin & Dess, 1996). Therefore, due to the intense competitive environment, firms need entrepreneurially oriented individuals or groups in order to innovate new and different products, services, images and processes which cannot be imitated easily by others. Such firms innovate frequently while also taking risks in their product market strategies (Miller & Friesen, 1982). An empirical study conducted by Antony (2017) provides evidence that Entrepreneurial Orientation creates value for stakeholders. The results of Antony's (2017) study suggest the following relations to value creation stakeholder engagement: risk-taking is positively related with respect to communities, innovativeness is positively related with respect to customers, autonomy and risk-taking are negatively related with respect to customers, proactiveness is positively related with respect to governance, competitive aggressive and proactiveness are positively related with respect to diversity, innovativeness is positively related with respect to employees, innovativeness is positively related with respect to the natural environment, and risk taking is negatively related with respect to employees. Thus, it can be

concluded that firms may benefit from adopting an EO. Other empirical studies conducted by many researchers also revealed a strong positive linkage between EO and firm performance (Ambad & Wahab, 2013). All the above arguments provide evidence why EO is beneficial and very important for sustainability of firms.

This study adopts three dimensions of EO as suggested by Miller (1983) or Covin and Slevin (1989) instead of five dimensions as suggested by Lumpkin and Dess (1996) because of several reasons as follows:

- a. Competitive aggressiveness (suggested by Lumpkin and Dess, 1996) and proactiveness dimension can be perceived as identical or interchangeable (Rauch et al., 2009)
- b. Most studies use three dimensions of EO which are Innovativeness, Risk-Taking, and Proactiveness and there is evidence that the three dimensions can be operationalized as a composite EO construct (Rauch et al., 2009).

A meta-analysis of the EO-performance relationship conducted by Rauch et al. (2009) found evidence that most of the previous studies (37 studies, out of 51 studies) viewed EO as a unidimensional construct. It means that each dimension of EO (Innovativeness, Risk-Taking, and Proactiveness) should relate to firm's financial performance in similar ways. Or in other words, EO is a construct composed of three subdimensions—innovativeness, risk taking, and proactiveness—that must positively covary in order for an EO to be manifested (Miller, 1983). Thus, this study has a strong literature background to adopt the

three dimensions as unidimensional EO construct to find significant relationships between firm's Entrepreneurial Orientation and firm's financial performance. Furthermore, as a consequence that EO is analyzed in the firm level, the next paragraph will explain the role of CEO and CFO as representatives of firm in measurement of EO construct.

Covin and Slevin (1989, 1991) suggest that entrepreneurial firms are those in which top managers have entrepreneurial management styles, as evidenced by the firms' strategic decisions and operating management philosophy. Covin and Slevin (1991) also argued that top executives are placed at the center of firm-level EO model. According to Gaines-Ross (1999), CEOs are still viewed as the ultimate company face, voice and guardian. Ferns et al. (2008) also mentioned that the CEO is the face of and the spokesperson for the entire organization. CEOs and other top executive are seen as the company's spokespeople as they are naturally assumed to reflect the views and vision of their company or in other words, CEO and CFO represent a company (Marc Fetscherin, 2015). In other study, Engelen et al. (2015) used CEO as respondent of survey due to the view that CEO as the leader of top management serves as a role model for the firm's employees. Based on those literatures, therefore, this study selects CEO and CFO as the respondents of research survey as in many literatures CEO and CFO are considered as representatives of a firm. Thus, in other words, to find evidence that there is a relationship between firm's EO and financial performance, CEO and CFO are assumed to represent firm's behavior. In addition to EO construct, this

study also examines the role of Entrepreneurial Values (EV) which will be discussed in the next paragraph.

This study relies on and integrates two lines of research. On the first line of research, upper echelons theory in strategic management research argues that CEO characteristics are important determinants of firm performance (Hambrick, 2007; Hambrick & Mason, 1984). Furthermore, statistical summaries of decades of research into the psychology of entrepreneurship support a link between CEO entrepreneurs' personality characteristics and firm performance (Rauch & Frese, 2007).

A separate, second line of research demonstrates the importance of 'good' management practices for firm performance (e.g., Bloom & Van Reenen, 2007) – for example past research supports the notion that the adoption of participatory, empowering human resources management (Birdi et al., 2008) and a focus on entrepreneurship or entrepreneurial orientation in strategy making (Lumpkin & Dess, 1996; Rauch et al., 2009) lead to higher organizational performance.

Later study which uses combined two lines of research as explained above also supports that CEO's personal values help shape his or her management style, which in turn positively affect financial performance (Huysentruyt et al., 2015). Huysentruyt et al. (2015) present evidence that the social enterprise CEOs with strong pro-social, self-transcendence values and weak self-enhancement values are more likely to use participatory management practices, while the CEOs who are more open to change adopt an entrepreneurial posture that reflects greater pro-activeness, willingness to take risks and innovativeness. Thus, Huysentruyt et al.'s

(2015) study confirms that combination of participatory management practices and strategic entrepreneurial values positively affect financial performance, as well as social enterprises' success in creating societal impact.

This study is also designed to be based on the combined two lines of research discussed above, which try to find the effect of CEO/CFO's personal values in terms of Entrepreneurial Values (EV) on large firm's financial performance on the one hand, and at the same time to find evidence of the effect of firm's Entrepreneurial Orientation from management practice point of view on large firm's financial performance. The EV is an important variable in this research since it can be used as a measurement instrument of CEO/CFO's entrepreneurial values from individual psychological perspective, which is different from firm's perspective. Additionally, this study also examines whether there is a relationship between CEO/CFO's Entrepreneurial Values and firm's Entrepreneurial Orientation or not. To have better understanding of EV, the next paragraph will discuss the use of EV and its importance in this study.

In this study, Entrepreneurial Values is used as comparison to Entrepreneurial Orientation. While Entrepreneurial Orientation measures the entrepreneurship or entrepreneurial behavior of Firm (which can be represented by CEO and CFO's perception as part of top management toward their organizational behavior), Entrepreneurial Values measures the entrepreneurial values of CEO and CFO as individual. Thus, there is a significant difference of analysis level between EO and EV. Entrepreneurial Orientation's level of analysis is the firm, while Entrepreneurial Values's level of analysis is the individual. The

use of individual level constructs to predict firm level constructs in literature has been widely known. Covin and Slevin (1991) promoted “top management values and philosophies” as an individual-level construct that can influence corporate strategic decisions. They contended that “top management values and philosophies” are essential variables in their proposed model of firm-level entrepreneurship (Covin and Slevin, 1991). Weber and Weber (2001) have investigated the changes in employee perceptions during organizational change. They used four individual-level constructs: (i) feedback to employees, (ii) autonomy, (iii) employee participation and (iv) goal clarity to predict firm level construct such as perceptions of organizational readiness for change (Weber and Weber, 2001). In other literature, Koys (2001) hypothesized that employee satisfaction, organizational citizenship behavior, and employee turnover influence profitability and customer satisfaction. Cross-lagged regression analyses show that employee attitudes and behaviors (which are individual-level constructs) at Time 1 are related to organizational effectiveness at Time 2 (Koys, 2001).

Armenakis et al. (2007) have also provided an empirical evidence that there is an effect of individual beliefs, which are individual level constructs, on organizational change construct. Discrepancy, Appropriateness, Efficacy, Principal Support, and Valence are five important beliefs or precursors that determine the degree of buy-in by organizational change recipients (Armenakis et al., 2007). Those previous researches prove that individual-level variables cannot be ignored to predict organizational-level variables. Thus, in this study, EV which

is an individual-level variable is hypothesized as a predictor for organizational-level variables such as EO and Financial Performance.

When firm's EO is assumed to be positively related to Financial Performance, we would like to know the effect of CEO's and CFO's entrepreneurial values on Financial Performance, whether CEO's / CFO's entrepreneurial value of large firm is positively related to Financial Performance or not. In previous research, Tomczyk et al. (2013) tested whether high growth firms' performance is related to the number of benefits offered and/or the values of the entrepreneur. Their study concludes that the entrepreneurs' values and the total benefits offered are instrumental to firm performance. Referring to the above argumentation, thus EV can be regarded as an important construct to examine in this study, and more discussion about the dimensions of EV will explained in the following paragraph.

While the EV study is somewhat limited, however, there is a study conducted by Tomczyk et al. (2013) who used Rokeach Value System (Rokeach, 1973) which consist of 36 values identified into two groups of 18: (i) terminal values (values reflecting the idealized end goals of an individual) and (ii) instrumental values (values of the methods by which a person achieves their end goals). Other study conducted by Anchorena and Ronconi (2012) suggest that there are five dimensions of EV – (1) sense of responsibility, (2) tolerance and respect for other people, (3) independence, (4) determination and perseverance, and (5) imagination – which have been found to be more conducive to entrepreneurship.

In spite of variation in EV dimensions in previous literature, dimensions of EV in this study adopt the Schwartz's Values concept with special adjustment: Self-Direction, Achievement, Security, Stimulation, Benevolence and Universality – which are adjusted from individual CEO's perspective instead of firm's perspective. In addition, those dimensions of EV are operationalized as unidimensional (composite) construct instead of multidimensional construct. Furthermore, the relationship between EV and EO, in addition to the relation between EV and firm performance, is also an interesting topic which will be discussed in the next paragraph.

As regards the study of entrepreneurial values, little research has been done up to present. Nevertheless, the few studies that have been carried out indicate a significant relationship between certain values of an individualistic nature and entrepreneurial behavior or intention. Jaén et al. (2010) found that Spanish university graduates whose priority values are openness to change and self-enhancement values do exhibit higher intention to become entrepreneurs. They found that value priorities of people play a relevant role in taking the decision to start a venture. Therefore, there is a significant relationship between entrepreneurial values and entrepreneurial intention.

Other study conducted by Lindsay and Kropp (2015) examines direct relationship between internal values (or external values) and individual entrepreneurial orientation. Their study builds upon individual values research from the marketing area and entrepreneurship theory. It represents an initial effort at developing an Individual Entrepreneurial Orientation (IEO) scale and

comparing values of people who had started a business to those who had not. The results support high reliability, and face, construct, and criterion validity of the scale. At the theoretical level, this study extends existing knowledge by examining entrepreneurial orientation and values at the individual level. While at the applied level, the scale can serve as a diagnostic to measure an individual's natural orientation to be an entrepreneur. To get deeper understanding of EV and its relation to financial performance, the next paragraph will discuss in more detail several previous literatures that provide significant evidence.

Although there are limited studies determining the relationship of EV and Financial Performance, however, several studies found evidence that EV directly influences Financial Performance, especially EV of SME's entrepreneurs (Tomczyk et al, 2013; Ling et al., 2007). Ling et al. (2007) hypothesized that the effects of collectivism and novelty values are moderated by company age and size, such that collectivism exerts stronger beneficial effects in older and larger firms, whereas novelty exerts stronger beneficial effects in younger and smaller firms. Results based on 92 SMEs offer support for most predictions, thus demonstrating the influence of founders' values on new venture performance and highlighting the importance of considering organizational lifecycle for the understanding of this influence. Some other studies found that EV influences the entrepreneurial behavior (Schwartz, 1990; Jaén et al., 2010) then finally influences Financial Performance.

Furthermore, a better financial performance can lead to intention to sustainable development and intention to collaboration. The importance of

intention to sustainable development has been suggested by Dean and McMullen (2007) whose concern that the era of industrialization has had substantial negative effects on the natural environment (e.g. air pollution, toxic wastes in groundwater, climate change) where these effects diminish the sustainability of economic systems. Meanwhile, in today's global and fast-changing business environment, collaboration and strategic alliances emerge when organizations search for new efficiencies and competitive advantages while avoiding both market uncertainties and hierarchical rigidities (Todeva & Knoke, 2005). Concerning the importance of these issues, this study tries to investigate the relationship between financial performance of SOEs and their future intention to sustainable development dan intention to collaboration.

1.2. Problem Statement

Although there are some EO-performance and EV-performance studies in emerging markets, most of those studies use small to medium sized enterprises (SMEs) as samples (Campos, & Valenzuela, 2013; Shirokova et al., 2015; Abiodun & Kida, 2016; Tomczyk et al, 2013). In addition, most previous studies usually investigate the relationship between two main variables only, either EO and firm performance or EV and firm performance or EV and EO with incorporating certain moderating variables, respectively. Thus, a study that investigates the relationship among three main variables simultaneously specifically EV, EO and FP with including some moderating variables has been unknown so far. Based on the discussion above, it can be readily deduced that there are a few limitations in the past research of EO-Corporate Performance, EV-

Corporate Performance and EV-EO relationship, especially in the emerging market or developing country context: **First**, although there are limited studies determining the effect of Entrepreneurial Values on Financial Performance, there is still no empirical study has been found so far that investigates the effect of Entrepreneurial Values on the Financial Performance of Indonesian state-owned enterprises.

Second, there are still only few studies investigating the effect of Entrepreneurial Values (EV) on Entrepreneurial Orientation (EO) these days, especially in Indonesian state-owned enterprises context. Among those studies is Malovics et al.'s (2015) study of Hungarian entrepreneurs which argues that the EO is related to EV. In developing countries such as Indonesia, this topic is somewhat new and has never been explored yet. Previous studies indicate that EO is a behavioral construct at firm level, and EV is supposed to influence entrepreneurial behavior (Bardi & Schwartz, 2003). Thus, the investigation of the relationship between EV and EO in state-owned enterprises is also an important topic to understand in this study.

Third, although EO construct has been conceptualized for some time, studies linking it to large firms' financial performance in international context, particularly in developing country context of Indonesia and in state-owned enterprises context, have been somewhat limited.

Fourth, this study incorporates Environmental Dynamism (ED) as moderating variable into the research model which no similar studies has been found in literature that explain the moderating effect of ED on the relationship

between EV and FP, EO and FP as well as EV and EO in Indonesian state-owned enterprises context.

Fifth, this study also incorporates another moderating variable, Resource Availability (RA), into the research model which no similar studies has been found in literature that explain the moderating effect of RA on the relationship between EV and FP, EO and FP as well as EV and EO in Indonesian state-owned enterprises context.

Sixth, there has been limitation in previous studies that explores deeply the influence of Financial Performance of state-owned enterprises on Intention to Sustainable Development. **Seventh**, there also has been limitation in previous studies that explores deeply the influence of Financial Performance of state-owned enterprises on Intention to Collaboration in developing country context of Indonesia.

Since state-owned enterprises do not only have commercial goals but that they are also under obligation to serve social objectives such as serving public interests, providing jobs, providing basic necessities (Kamal, 2010) and including providing food and energy security, thus the inclusion of Intention variables will provide a good insight how a BUMN's financial performance will have impact on those Intention variables.

1.2.1. Research Questions

This study will attempt to further understand the relationship among unidimensional Entrepreneurial Orientation (Innovativeness, Proactiveness, Risk Taking), Entrepreneurial Values (self-direction, achievement, security,

stimulation, benevolence and universality) and Financial Performance of Indonesia state-owned companies with the existence of Environmental Dynamism and Resource Availability as moderating variables and the effect of Financial Performance on Intention to Sustainable Development and Intention to Collaboration. The research questions associated with this:

1. To what extent is the effect of Entrepreneurial Values on state-owned enterprises' Financial Performance?
2. To what extent is the effect of Entrepreneurial Values on Entrepreneurial Orientation?
3. To what extent is the effect of Entrepreneurial Orientation on state-owned enterprises' Financial Performance?
4. To what extent is the moderating effect of Environmental Dynamism on the relationship between (i) EV and FP, (ii) EO and FP, and (iii) EV and EO?
5. To what extent is the moderating effect of Resource Availability on the relationship between (i) EV and FP, (ii) EO and FP, and (iii) EV and EO?
6. To what extent is the effect of Financial Performance on Intention to Sustainable Development?
7. To what extent is the effect of Financial Performance on Intention to Collaboration?

1.3. Purpose of the Research

The purpose of this research is to analyze: (i) the effect of Entrepreneurial Values on Financial Performance of state-owned enterprises in Indonesia; (ii) the

effect of Entrepreneurial Values on Entrepreneurial Orientation; (iii) the effect of Entrepreneurial Orientation on Financial Performance of state-owned enterprises; (iv) the moderating effect of Environmental Dynamism (ED) on the relationship between EV and FP, EO and FP, as well as EV and EO; (v) the moderating effect of Resource Availability (RA) on the relationship between EV and FP, EO and FP, as well as EV and EO; (vi) the effect of Financial Performance of state-owned enterprises on Intention to Sustainable Development; and (vii) the effect of Financial Performance of state-owned enterprises on Intention to Collaboration.

1.4. Research Contribution

Hopefully this study will make significant contributions to at least five areas of research. **First**, in developing countries, most of the studies of EO have been conducted mostly on small firms or individual entrepreneurs (Miller & Breton-Miller, 2011). In reality large firms face different challenges than small firms (Ambad & Wahab, 2013). **Second**, the current research will hopefully extend the literature on EO because the studies of the effects of entrepreneurial orientation on large firms' performance among the state-owned enterprises in Indonesia are still rare (Miller & Breton-Miller, 2011). Thus, this study will hopefully add to the theoretical and practical understanding of this area. **Third**, this study uses the unidimensional EO construct – which consist of Innovativeness, Risk-Taking and Proactiveness – and investigate its effect on firms' financial performance. **Fourth**, in addition to investigation of EO-FP relationship, this study also examines the effect of CEO's / CFO's Entrepreneurial Values on financial performance, which has been limited in previous literature.

Fifth, this study also examines the effect of CEO's / CFO's EV on firm's EO, which topic is very limited in literature, to find out whether there is a significant effect or not. **Sixth**, the role of Environmental Dynamism and Resource Availability as moderating variables will enrich the understanding of their impacts on the relationship between EV-FP, EV-EO, and EO-FP variables. **Seventh**, this study will also provide evidence whether there is an effect of Financial Performance on Intention to Sustainable Development and Intention to Collaboration. Thus, Indonesian state-owned-enterprises, as well as EO and EV researchers can have a new insight in understanding the effect of both Entrepreneurial Values of top management and Entrepreneurial Orientation as firm behavior on financial performance in a context of dynamic environment and availability of firm resources as well as the impact of financial performance on intention to sustainable development and intention to collaboration.