

SMEs Performance in Indonesia: The Role of Leadership and Culture

Budi Harsanto & Sunu Widiyanto

Faculty of Economics and Business, Universitas Padjadjaran, Indonesia

We drew on resource-based theory for this empirical study, as an overarching model and derived two hypotheses that link elements from transformational leadership, entrepreneurial orientation, and firm performance as well as a similar link from organizational culture. The present empirical study assumes that transformational leadership style vis-à-vis with organizational culture are intangible resources that facilitate the effective altering entrepreneurial orientation into the relatively higher level of firm performance. The specific empirical study examines this links in a small and medium enterprise context. We surveyed 100 owners/senior managements from various type of small medium enterprises at Indonesia by means valid and reliable measurement instruments. As hypothesized, entrepreneurial orientation mediated the relationship between transformational leadership and firm performance as well as organizational culture and firm performance. Implications and directions for future research are discussed.

Keywords: Transformational leadership, Culture, Firm performance, Entrepreneurial orientation (EO)