

## Development of Entrepreneurship Oriented Innovation Culture with Local Wisdom Values Approach

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**Abstract:** The culture of innovation is a demand to achieve a sustainable competitive advantage. The development of a culture of innovation can be done through several approaches. This study aims to develop a culture of innovation through entrepreneurial orientation and local wisdom values. To find out how the influence of local wisdom values on entrepreneurial orientation and culture of innovation. Respondents are cooperative managers in Gianyar, Badung, and Denpasar districts which have the highest number of cooperatives in Bali Province. The number of respondents is 82 managers. The analysis tool uses SEM PLS. The results showed that the influence of local wisdom values on entrepreneurial orientation was positive and insignificant. The influence of local wisdom values on innovation culture was positive and significant. This relationship implies that the stronger the local wisdom values, the stronger the innovation culture. The effect of entrepreneurial orientation on innovation culture is positive and significant. Entrepreneurial orientation cannot mediate the influence of cultural values on innovation culture. The results of this research can be implemented in developing a culture of innovation without ignoring local values or local wisdom. Local values as a motivator in generating creative ideas.

**Keywords:** local wisdom values, entrepreneurial orientation, innovation culture.

### PRELIMINARY

Various views that support the innovation ability of a company are created with the support of an entrepreneurial orientation and the company's ability to interact. How organizations interact as reflected by the culture in an organization (Song et al., 2019). It can be concluded that the culture of innovation in the organization is supported by the entrepreneurial orientation and culture adopted. Entrepreneurial orientation plays a role in supporting a culture of innovation in organizations (Edward and Utama, 2021). Entrepreneurial orientation is a multidimensional concept that will be more complete by considering external factors. Horchani and Zouaoui (2019) found that environmental change moderates the relationship between entrepreneurial orientation and the company's innovation ability. This means that the role of the environment strengthens the entrepreneurial orientation in creating innovation. However, other studies have found that not all cultural dimensions have an effect on entrepreneurship (Celikkol et al., 2018). Culture is still a phenomenon in increasing entrepreneurship. If it is associated with inner culture the relationship of entrepreneurial orientation to organizational performance cultural values are the determinants, in the relationship of entrepreneurial orientation to organizational performance (Edward and

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Utama, 2021). Culture related to external factors tends to change, but there are values that are maintained and considered good by the community called local wisdom.

Local wisdom is the maintained values that are considered good by the community. Local wisdom is defined as the truth that has become a tradition or is steady in an area (Gobyah, 2009). Meanwhile, Jim (2002), states that local wisdom is the values that are created, developed and maintained in local communities and because of their ability to survive and become a way of life for the community. Organizations based on traditional cultural values lay the seeds of innovation in society, so exogenous factors need to be considered in increasing the ability to innovate (Chan et al 2020). Referring to the results of research (Chan et al., 2020, the factor of cultural values prevailing in society needs to be considered in innovating. Referring to China, which is rich in local wisdom values, succeeded in strengthening the culture of innovation. China implemented one strategy by promoting culture in building a culture of innovation through communication media (Lijuan, 2020). Bali is also known in the world for its cultural values. In this study, cultural values are maintained and are considered good (local wisdom) as an antecedent of entrepreneurial orientation in cultural development innovation in cooperatives in Bali The purpose of this study is to explain the development of a culture of innovation strengthened through an entrepreneurial orientation based on local wisdom values.

**THEORITICAL REVIEW**

**Cultural values and entrepreneurial orientation**

Individual cultural values increase individual locus of control which has an impact on entrepreneurial tendencies (Brasher and Zait, 2008). Countries in the world both in developed and developing countries are trying to explore local wisdom values that are useful to face future challenges with the demands of an increasingly competitive era. Based on the results of research in Malaysia, organizations based on traditional cultural values lay the seeds of innovation in society (Chan et al 2020). Three cultural values of the main decision makers, namely individualism, masculinity and uncertainty avoidance, show a significant relationship with corporate EO (Chew et al., 2021). Cultural orientation has a significant effect on the form of entrepreneurial competence. Therefore, the role of cultural orientation cannot be ignored in improving the ability of SME entrepreneurs to face the era of globalization (Mira et al. 2019). The cultural dimensions of Individualism, Long Term Orientation, and masculinity affect the level of entrepreneurship (Celikkol et al., 2019). Entrepreneurial orientation is a multidimensional concept that will be more complete by considering external factors.

H1: local wisdom values have a positive and significant effect on entrepreneurial orientation.

**Entrepreneurial orientation and culture of innovation**

Entrepreneurial orientation plays a role in supporting a culture of innovation in organizations (Edward and Utama, 2021).The higher the historical level of self-employment in a region, the clearer the fit for the entrepreneurial personality of the current population. Third, regions with higher levels of historically entrepreneurial and entrepreneurial personality fit that are more prominent than their residents have higher levels of innovation activity which may be an important driver of future growth.(Fritsch et al., 2019). Entrepreneurial character development aims to build an innovative entrepreneurial culture (Rahmat, and Sriharini, 2018). The character of independence and managerial character in skills and entrepreneurship correlated with the three innovation channel variables and the character of Creativity and Innovativeness correlated with all stage variables that adopted the innovation. (Burhanuddin, et al., 2019).

H2: Entrepreneurial orientation has a positive and significant impact on innovation culture.

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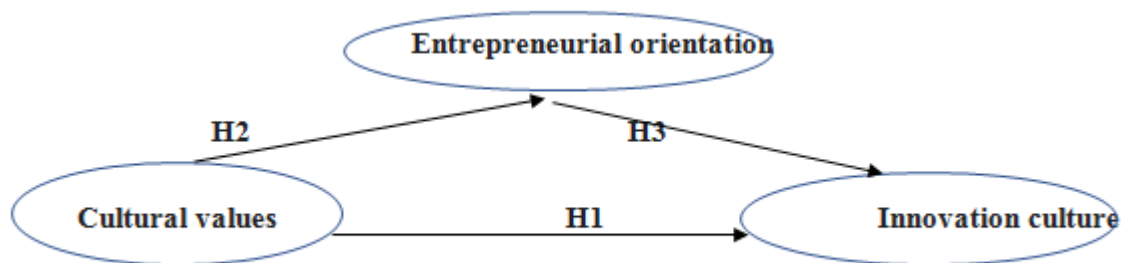
**Local wisdom values and culture of innovation.**

Culture is a multidimensional concept encompassing several important components including shared values and attitudes. Culture in the form of values prevailing in society and maintained contributes directly or indirectly to facilitating communication, building trust, and reducing uncertainty, as well as by enabling the solution of shared problems, by guiding behavior and by encouraging collective learning processes. Local wisdom values must be involved to build a strong relationship in stimulating national identity. China's success in building a culture of sustainable innovation with a strategy of promoting local culture (Lijuan, 2020). Local values can be used as a medium to facilitate change (Savira, 20-17). Innovation without considering local values will be a challenge, sometimes invites destructive action from stakeholders who feel they are not involved in the process realizing the importance of local values as an instrument for designing innovations. Local values contribute positively to innovation (Chew et al., 2021). Organizations based on traditional cultural values lay the seeds of innovation (Chan, 2020).

H3: Local wisdom values have a positive and significant impact on innovation culture

H4: The influence of cultural values on innovation culture is mediated by entrepreneurial orientation.

Based on theory and empirical studies, it can be described in the research framework as follows:



**Figure 1. Research Concept Framework**

**RESEARCH METHODOLOGY**

This research was conducted in Bali. Respondents are cooperative managers consisting of 83 people. Data were collected using a questionnaire. The data that has been collected was analyzed using SEM, PLS.

Table 1 Characteristics of Respondents

No	Characteristics	Frequency	Percentage / %
1	Gender		
	Man	49	60
	Woman	33	40
2	Age/ years		
	21-30	16	19
	31-40	39	48
	> 40	27	33
3	Education		
	Middle education	15	18
	Diploma	39	48
	Bachelor	28	13

4	Working period/year		
	0-1 years	4	5
	15 years	29	35
	6 - 10 years	32	29
	Over 10 years	17	31

Source: The results of the data processed in 2022

*Analysis of structural models*

**Construct, Reliability and Validity.**

To test the validity and reliability of the indicators that make up the variables evaluated from the coefficients of convergent validity, discriminant validity, composite reliability, and Cronbach alpha. Convergent validity is measured based on the outer loading test criteria for each indicator. Outer loading values ranging from 0.50-0.60 were declared valid and significant, and indicators with values below 0.50 were excluded from the model. Convergent validity is measured based on the outer loading test criteria for each indicator. A good discriminant validity is that the square root of AVE for each construct is greater than 0.50. The AVE root value for each dimension ranges from 0.50-0.70 indicating the discriminant test results according to the required AVE value is greater than 0.50 (Lathan and Ghozali, 2012:78-79).

Table 2 Value of outer loading, CA, CR, and AVE

Variable	Items	Loading	CA	CR	AV
Cultural Local Value	X14	0.687	0.684	0.715	0.571
	X19	0.859			
Entrepreneurship Orientation	Y12	0.690	0.657	0.751	0.605
	Y15	0.742			
	Y16	0.671			
Innovation Culture	Y21	0.910	0.597	0.744	0.592
	Y25	0.560			

**Evaluation of the structural model (Inner Model)**

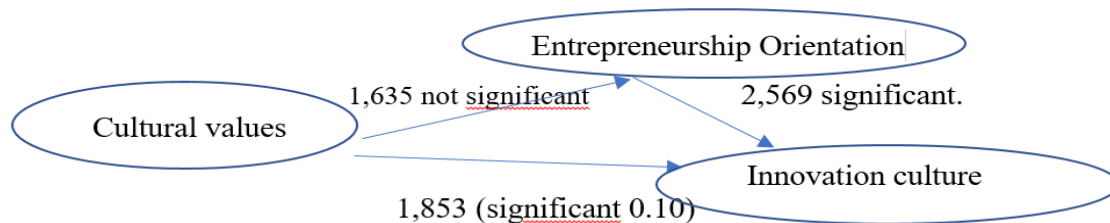
The value of R Square indicates that each latent variable is endogenous as the predictive power of the structural model. Changes in the value of R Square can be used to explain the effect of certain exogenous latent variables on endogenous latent variables that have a substantive effect. R Square value of 0.75 concluded that the model is strong, 0.50 is moderate, and 0.25 is weak (Latan and Gozali, 2012: 82). The R Square value of each variable is more than 0.50 indicating a strong model. The innovation culture variable with an R2 value of 0.561 and an entrepreneurial orientation 0.641 Based on the R2 value, the model is classified as moderate (medium). *Q-Square Predictive Relevance (Q2)* is a measure of how well the observations made give results to the research model. The value of Q-Square Predictive Relevance (Q2) ranges from 0 (zero) to 1 (one).  $Q2 = 1 - (1 - R2) (1 - R2) \dots (1 - Rn2)$

The results of Q2 are obtained with a value of showing the number = 0.57 (moderate/moderate model).

The relationship between variables is presented in the following table 3 data:

Table 3 Relationships between Variables

Effect Between Variables	Coefficient	T Statistics	P Values
Cultural Values -> Culture Innovation	0.262	1,853	0.064
Cultural Values -> _Entrepreneurial Orientation	0.191	1,635	0.103
_Entrepreneurship Orientation -> Culture Innovation	0.263	2,569	0.010



The influence of local wisdom values on positive entrepreneurial orientation with a statistical t value of 0.1635 with a p. value of 0.10. This means that the influence of local wisdom values with entrepreneurial orientation is positive but not significant. The higher the cultural values, the higher the entrepreneurial orientation of cooperatives in Bali. The influence of local wisdom values on positive innovation culture with t statistic 1.852 and P value 0.064. This relationship implies that the higher the local wisdom values, the stronger the innovation culture. Entrepreneurial orientation has a positive and significant effect on innovation culture, but does not mediate the influence of local wisdom values on innovation culture.

**Discussion**

The research explains that the innovation culture is determined by the entrepreneurial orientation and local wisdom values. The results of this study indicate that the influence of local wisdom values on entrepreneurial orientation is positive and not significant. This means that culture in the form of values plays a role in increasing entrepreneurial orientation. Cultural values that exist in society shape individual behavior, including entrepreneurial behavior. However, the relationship in this study found an insignificant relationship. This could be due to the limited involvement of individuals in decision making within the organization. Every individual must be involved to produce a culture of innovation. These local values facilitate, direct the innovation culture within the organization. In accordance with previous research, three cultural values of the main decision makers, namely individualism, masculinity and uncertainty avoidance, show a significant positive relationship with corporate EO (Chew et al., 2021). Cultural orientation has a significant effect on the form of entrepreneurial competence. Thus, the role of cultural orientation cannot be ignored in improving the ability of SME entrepreneurs to face the era of globalization (Mira et al., 2019). Furthermore, the results of this study indicate that entrepreneurial orientation has a positive and significant impact on the culture of innovation. Supported by the results of research on entrepreneurial orientation as a supporter of innovation ability Cultural orientation has a significant effect on the form of entrepreneurial competence. Thus, the role of cultural orientation cannot be ignored in improving the ability of SME entrepreneurs to face the era of globalization (Mira et al., 2019). Furthermore, the results of this study indicate that entrepreneurial orientation has a positive and significant impact on the culture of innovation. Supported by the results of research on entrepreneurial

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**Theoretical Implications**

The model generated in this study shows the development of a culture of innovation through an entrepreneurial orientation and an approach to local wisdom values. This model is a strategy in an effort to generate sustainable excellence. This model strengthens the RBV theory (Barney, 1991) which explains that sustainable excellence can be created through a strategy of empowering the resources owned. The results of the study reinforce the assumption that a sustainable competitive advantage can be created by strengthening an entrepreneurial orientation based on local values. The involvement of external factors as a driver of the internal environment in strengthening the culture of innovation.

**Managerial Implications**

The results of this study can be used by managers in dealing with changes in the business environment. The manager's challenge in the future is how to deal with the forces of globalization by leveraging local strengths. Ignoring the local forces of success will not last long. Managers who are able to strengthen their entrepreneurial orientation and cultural approach are expected as a strategy to achieve competitive advantage.

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