

The Impact of Strategic Intelligence on Entrepreneurial Behaviour and Organizational Development

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ABSTRACT

MSMEs are important for a country's economic growth, yet they are underrepresented in Indonesia. Furthermore, because of its tremendous growth, this sector has the potential to make a significant contribution by generating job opportunities, increasing foreign exchange, income, and sales tax, and giving opportunities for human resource development. On the other hand, despite the fact that Indonesia has a large number of MSMEs and their proven ability to contribute to the national economy, MSMEs' development is still not ideal. The development of the MSMEs in Indonesia has been the focus in the past of financing, business infrastructure development, physical equipment and collaborative efforts with all stakes, business facility implementation issues, enhanced human resources quality (HR) and development of the Era Revolution 4.0. Because of the fast-changing business environment, MSMEs must constantly integrate their surrounds in order to generate knowledge of opportunities and threats in order to compete. The primary purpose of this study was to assess the relationship between strategic intelligence, entrepreneurial behavior, and organizational development in SMEs in Sumatera Utara, as well as the function of financial intelligence as a mediating factor. The focus of this study was on MSMEs in Medan, with 400 entrepreneurs as participants. According to the study's findings, strategic intelligence and entrepreneurial behavior have a significant impact on organizational development.

Keywords: *Strategic Intelligence, Entrepreneurial Behavior, Organizational Development*

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have a significant contribution of influence on the Indonesian economy. Micro, Small, and Medium Enterprises (MSMEs) can absorb around 96 percent of labor, especially in terms of the number of business units and labor absorption [1]. Indonesia only ranks 75th out of 137 countries in the world in the 2019 Global Entrepreneurship Index [2]. Financing, business infrastructure development, facilities and coordination with all stakeholders, HR quality, and the development of the Industrial Revolution Era 4.0 have all been issues in the development of MSMEs in Indonesia in the past. Based on the data obtained, it shows that Indonesia's competitive advantage is considered low among Asian countries. In addition, the Covid-19 pandemic also worsens the stability of the Indonesian economy, which has declined since early 2020. Consequently, those conditions affect the tough competition advantage of MSMEs.

The rapidly changing business environment has forced MSMEs to be continuously aware of opportunities and threats to survive the competition. MSMEs must have a set of techniques and strategies for their organization to change, develop, and improve organizational functions in an internal organization [3], namely organization development. The most internal factors in leading the development organization are managers and staff. According to [4] the entrepreneurial behavior of managers and staff can affect organizational development. Those abilities should be coherent with flexibility, change, and innovation.

Entrepreneurs are increasingly turning to strategic intelligence to help them anticipate changes in the corporate environment, understand events, and make judgments about managing and establishing new strategies. Strategic decisions can be classified at different levels, such as enterprise, corporate, business, and functional levels, each of which relates to different aspects of the resource conversion process [5]. As a result, strategic intelligence can influence entrepreneurial behavior by providing firms with important information

about their business environment, competitors, consumers, and changes through the development of the appropriate strategy. Consequently, strategic intelligence gives an impact on organizational development when the behavior of entrepreneur focus on changing and innovation.

Some research results show a positive relationship between Strategic Intelligence and Organizational Development [6], while other studies do not find a positive relationship [7], [8] which leads to inconsistency of research results between strategic intelligence and organizational development. Therefore this study proposes entrepreneurial behavior as a mediator variable between strategic intelligence and organizational development to answer overcome the inconsistency of the research results.

2. LITERATURE REVIEW

2.1 Entrepreneurial Behaviour

Entrepreneurial behavior is a set of individual activities and practices at various levels, using an innovative combination of resources to identify and pursue opportunities [9]. On the variables that limit corporate entrepreneurship and entrepreneurial behavior, there are two principal paths of research. Management support refers to managers' desire to assist and promote entrepreneurial activity within the organization. The first stream focuses on the organization, while the second stream focuses on the individual [10]. This support can take several forms, such as lobbying for new ideas or providing necessary information. Managers supervise and evaluate their subordinates' work, enhance or decrease access to resources and information, clarify each employee's goals and tasks, seek their opinions, and exert additional influence over their work.

Mair [9] emphasized that the essential factor for the formation of entrepreneurial behavior is the need for achievement. Entrepreneurial Behavior refers to a set of values of belief, intrinsic motivation, and self-determination to engage in entrepreneurial behavior [11]. Entrepreneurial behavior consists of behavioral aspects of an entrepreneur such as being proactive, competitive, innovative, taking risks, and being independent [12]. The willingness of managers to facilitate and promote entrepreneurial activity within the organization is referred to as management support [10]. According to Rasmussen & Sorheim [13], individual perceptions of the organizational environment and organizational conditions significantly influence entrepreneurial behavior. Willingness to change, ability to make risky decisions, innovation in complex situations,

organizational structure and strategic vision lead to entrepreneurial behavior.

H1 : Entrepreneurial behavior has a significant and positive effect on organizational development

2.2 Organizational Development

Organizational development strives to give a collection of approaches and strategies to help internal organizations change, develop, and improve their performance [3]. One of the most effective tools for organizational developers is a questionnaire-based survey. The purpose of organizational development is to enhance the fit between the organization's structure, processes, strategies, people, and culture, as well as to generate innovative and creative organizational solutions and the organization's ability for self-renewal. Organizational surveys serve as an effective tool for positive feedback and change. Organizational development based on formal or informal activities has six dimensions, such as goals, structure, relationships, rewards, leadership, and helping mechanisms [14].

Several studies have found a link between strategic orientation and performance outcomes [7]. Organizational performance refers to the company's performance compared to its goals and objectives [15]. Organizational development encompasses all areas of problem diagnosis, feedback, and assessment, planning, intervention, and implementing, evaluation, and success [16]. This dimension measures the level of employee satisfaction by providing rewards offered by the organization. Analoui confirmed that the organizational growth process includes eight efficacy-related factors [17]. Power and policy, perception, problem-solving abilities, motivation, possibilities for effectiveness, classification and organizational communication, demand restrictions, and the existence of choices are among the eight criteria.

2.3 Strategic Intelligence

Strategic Intelligence is a process or tool for gathering information that helps to gain knowledge in decision making through observing the organizational environment, analyzing information, predicting and planning for the future, and being able to adapt to environmental changes [18]. The aggregation of various types of intelligence that produce synergy between business intelligence, competitive intelligence, and knowledge management to give value-added information in making strategic decisions for the firm is known as strategic intelligence.

Strategic intelligence produces a success that leaders can use. Leaders' favorable possibilities for success are influenced by the strategic leadership process. Strategic intelligence information that is strategically important will be scanned, evaluated, digested, and meaningful in order to impact senior managers' attitudes, commitments, and actions [19]. The main users of strategic intelligence are individuals who are involved in strategy development. In addition, the broad reach of strategic intelligence can cover important events, past, present, and future [20]. Strategic intelligence, which consists of knowledge and intelligence, will enable firms to gain a competitive advantage and maintain constant innovation in order to survive and develop in the long run.

H2 : Strategic intelligence has a significant and positive effect on entrepreneurial behavior.

H3 : Entrepreneurial behavior has a mediating role on the effectiveness of strategic intelligence and organizational development relationship.

3. METHODOLOGY

This research was conducted in Medan, North Sumatra. Where the object of this research is MSMEs entrepreneurs who have strategic intelligence as a successful application of their entrepreneurial orientation, totaling 200 entrepreneurs. The analysis of this study uses questionnaire data for entrepreneurs in Medan. To test the hypothesis, this research utilizes data

analysis techniques using the Structural Equation Model (SEM) method. The partial least squares data analysis method was utilized in conjunction of structural equation modeling (SEM-PLS).

4. RESULTS AND DISCUSSION

4.1 Results

4.1.1 Validity and Reliability Test

Convergent validity is a feature of the measurement model, which in SEM-PLS is referred to as the outer model and confirmatory factor analysis in covariance-based SEM is referred to as the confirmatory factor analysis (CFA). Indicators with loading between 0.40 and 0.70 should be analyzed using the criteria for measuring average variance extracted (AVE) and composite reliability. Validity and Reliability Testing can be explained as follows:

Table 1. Validity and Reliability Test

| Indicator | AVE* | CR** | CA** | Explanation |
|----------------------------|-------|-------|-------|-------------|
| Strategic Intelligence | 0.730 | 0.949 | 0.937 | Valid |
| Entrepreneurial Behaviour | 0.649 | 0.937 | 0.923 | Valid |
| Organizational Development | 0.690 | 0.939 | 0.924 | Valid |

*significance at 0,5, **significance at 0,7

Based on the measurement model in Table 1, all loading values are > 0.5 and > 0.7, which means they have met the validity and reliability requirements.

4.2 Structural Model Evaluation (Inner Model)

4.2.1 Bootstrapping, Coefficient of Determination, Mediation Test

Table 2. Bootstrapping, Coefficient of Determination, and Mediation Test

| Variable | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics ((O/STDEV)) | P Values | R-Square |
|--------------|---------------------|-----------------|----------------------------|--------------------------|----------|----------|
| EB → OD | 0.746 | 0.748 | 0.077 | 9.651 | 0.000 | |
| SI → EB | 0.657 | 0.659 | 0.088 | 7.454 | 0.000 | |
| EB | | | | | | 0.431 |
| OD | | | | | | 0.556 |
| SI → EB → OD | 0.490 | 0.497 | 0.105 | 4.678 | 0.000 | |

Based on the results of bootstrapping, coefficient of determination, and mediation test in Table 2, it is known that the coefficient of entrepreneurial behavior on organizational development is 0.746 (column of the original sample), with p-values = 0.000 <0.05, it is concluded that entrepreneurial behavior has a significant effect to organizational development. And the path coefficient value of strategic

intelligence on entrepreneurial behavior is 0.657 (column of the original sample), with p-values = 0.000 <0.05, it is concluded that strategic intelligence has a significant effect on entrepreneurial behavior.

The coefficient of determination (r-square) of entrepreneurial behavior is 0.431. This value can be interpreted that the influence of strategic intelligence on entrepreneurial behavior is 43.1%.

Meanwhile, the coefficient of determination (r -square) of organizational development is 0.556. This value can be interpreted as the influence of entrepreneurial behavior on organizational development by 55.6%. In the mediation test results, it is known that the indirect effect of strategic intelligence on organizational development through entrepreneurial behavior is 0.490, with P -Values = $0.000 < 0.05$, it is concluded that entrepreneurial behavior is significant as a mediator of the relationship between strategic intelligence and organizational development.

4.3 Discussion

This study aims to analyze entrepreneurial behavior in mediating the relationship between strategic intelligence and organizational development. Based on the study's findings, it can be stated that entrepreneurial conduct that serves as a mediator has a good and significant impact on organizational development. This research is in line with Abuzaid [18] which states that strategic intelligence dimensions such as foresight, visioning, and motivating have a positive relationship to entrepreneurial behavior. Strategic intelligence that has foresight, system thinking, visioning, motivating, and partnering can develop its business well [21]. Strategic intelligence is a systematic and continuous process to produce strategic intelligence values needed by company leaders in long-term decision-making [22].

Sustainable performance development through human resources requires organizational development to form a strong organizational culture following the organizational strategy that will be used [23]. When HR is familiar with the organizational culture, the way of working will become more familiar and increase morale, enthusiasm, teamwork, information sharing, and acceptance of new ideas. Organizational development is expected to increase the effectiveness of the work team, encourage creativity through a supportive system, and ensure that organizational processes through strategic intelligence can be understood through the feedback process. The results show that the right entrepreneurial behavior can develop their business through strategic intelligence to strengthen their business and increase their current profitability. Training skills to support innovative ideas are also indispensable for managing a company's management information system. This research is limited to MSMEs located in Medan, North Sumatra. Therefore, the researcher hopes that there will be more research and studies on strategic intelligence, entrepreneurial behavior, and organizational development in various industries.

AUTHORS CONTRIBUTIONS

IS, NI, and NE carried out the measurements; IS and NI were involved in the planning and supervision of the research; NE and ISy processed the experimental data, carried out the analysis, authored the text, and prepared the figures. The paper was written by IS, NI, ISy, and NE. All of the authors discussed the findings and provided feedback on the text.

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