

## **Mapping Organisational Culture and Relational Capability of Small and Medium-Sized Enterprises in Lombok Indonesia**

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### **Abstract**

**Abstract:** This paper aims to map small and medium-sized enterprises in Lombok Indonesia by exploring their level of relational capability and their organisational cultures, which consist of learning, market and entrepreneurial orientations. Various authors have reported that the orientations serve as determinants of relational capability. The respondents were art shop owners, who were purposively selected and interviewed in fourteen handicraft centres throughout the island, since it was assumed that they could offer great potential contributions to the development of the tourism industry. They were grouped into five categories based on their primary product. The study found that the pearlcraft group enjoyed the best position, with the highest level of organisational culture orientations and relational capability. This group's position suggested the best combinations of organisational culture and relational capability. However, the other handicraft groups also indicated a fair combination of these qualities. All have experienced a negative trend in the aftermath of Bom Bali II, and many businesses are dying. This study suggests that organisational culture orientations may lead to improved relational capability, and that the better the culture, the better the relational capability.

*Keywords: learning, market, entrepreneurial, orientations, organisational culture, relational capability,*

### **Introduction**

Investigations on relational capability are still limited (Capaldo et al., 2009) and the concept is fragmented (Smirnova et al., 2009). Relational capability (RC) can be improved through the development of a corporate culture (Sulhaini, 2011; Iglesias et al., 2011). Moreover, the capability can affect business performance (Smirnova and Kushch, 2006) and is crucial for the survival of small and medium-sized enterprises (SMEs) (Ngugi et al., 2010). Accordingly, organisational culture, which includes learning, market and entrepreneurial orientation, has been found to affect performance (Wang and Wei, 2005; Hughes and Morgan, 2007; Gonzales-Benito et al., 2009). They form a chain of effects on RC (Sulhaini, 2013) and serve as intangible elements of an organisation that are believed to stimulate a firm's RC (Sulhaini,

2012). Hakala and Kohtamaki (2011) urged additional research on the combination of those cultural orientations. Therefore, this paper aims to provide empirical evidence regarding this combination and the way in which it may relate to RC by mapping handicraft centres based on their levels of orientations and RC. The paper was based on a study of SMEs on a small island (i.e. Lombok, Indonesia).

## **Literature Review**

### ***Relational Capability (RC)***

RC is viewed as a function of the way in which a firm develops and manages its cultural orientations that focus on customer retention (Day, 2003). RC also refers to a firm's ability to identify and take advantage of opportunities and to develop knowledge and competences in order to achieve a sustainable competitive advantage in its business relationships (Smirnova et al., 2009). Therefore, a firm's ability to manage business relationships can result in a competitive advantage. The capability is composed of three interrelated variables—trust, communication and coordination (Sivadas and Dwyer, 2000)—and thus a firm with a greater RC will display a greater combination of those variables (Rodriguez-Diaz and Espino-Rodriguez, 2006). Consequently, RC can be measured by evaluating the fluctuation of relationship marketing variables such as trust, commitment and satisfaction (Panayides, 2007; Sulhaini, 2007).

### ***Organisational Culture: Learning, Market and Entrepreneurial Orientations***

Learning orientation (LO) refers to propensity of a firm to learn and adapt its strategy in the face of market changes (Mavondo et al., 2005). It leads a firm to adopt market orientation (MO) and entrepreneurial orientation (EO) simultaneously to achieve market success (Hakala and Kohtamaki, 2011). This suggests that all of these orientations are interrelated. The following discussion examines the interrelations and the way in which they might link to RC.

Previous studies have commonly reported a strong link between LO and MO (Foley and Fahy, 2004; Mavondo et al., 2005; Wang and Wei, 2005; Gebhardt et al., 2006; Lin et al., 2008). Sulhaini (2012) confirmed the link between those orientations, in that a lack of LO dimensions weakens MO dimensions. On the contrary, a better combination of all LO dimensions strengthens all of the MO dimensions. Therefore, LO enhances the quality of MO (Baker and Sinkula, 1999), which refers to a firm's propensity to adopt a marketing concept (Baker and Sinkula, 2009). Hence, a firm with high MO will continuously search for market

opportunities and develop the best strategic responses to obtain the best business performance (Gonzales-Benito. Et al., 2009). MO measures customer orientation, competitor orientation and interfunctional coordination (Narver and Slater, 1990), and places great emphasis on the use of internal cooperation as a mechanism for absorbing and interpreting knowledge of customers, which was gained from external cooperation (Hillebrand and Biemans, 2003). A highly market-oriented firm will have a high LO and a greater ability to manage and develop relationships, as well as a higher motivation to learn from its customer relationships. Baker and Sinkula (2000), Farrel and Oczkowski (2002), Celuch et al. (2002), Santos-Vijande et al. (2005), and Sulhaini (2012) suggested that MO must be supported by LO, especially when operating in uncertain markets. The second orientation enables a firm to challenge its old assumptions about the market and develop radical changes. This is because LO plays a great role in leading the firm to adopt generative learning values, and is, therefore, not only market focused (Celuch et al., 2002; Panayides, 2007).

Entrepreneurial orientation (EO) refers to the priorities that firms pursue in the process of identifying and exploiting opportunities (Baker and Sinkula, 2009). A positive link between MO and EO was reported by Sanzo et al. (2003), Morris et al. (2007), Grinstein (2008), Baker and Sinkul (2009) and Gonzales-Benito et al. (2009), meaning that firms have a high EO when they are market-oriented. Both orientations facilitate market-driving behaviours and are complementary to one another (Schindehutte et al., 2008; Baker and Sinkula, 2009). Entrepreneurs need MO to successfully target innovative actions in the market (Gonzales-Benito et al., 2009). MO drives entrepreneurial activities. Firms that have a greater combination of MO and EO will place a greater emphasis on satisfying customer needs and pursuing a wider market expansions and greater opportunities (Grinstein, 2008). Barker and Sinkula (2009) and Gonzales-Benito et al. (2009) pointed out that MO and EO are complementary and share common elements, allowing them to support each other's implementation within the firm. Both orientations emphasise learning since it determines their strength; therefore, those orientations require LO (Barker and Sinkula, 2009).

In contrast to the link between LO and MO, the link between LO and EO remains unclear (Sardana and Scott-Kemmis, 2010). However, Slater (1996) argued that LO encourages firms to take risks and build close customer relationships. This suggests that LO drives RC through risk-taking behaviour, which is a dimension of EO. A learning-oriented firm is likely to take risks, and vice versa (Sulhaini, 2011). Entrepreneurs learn from various mechanisms about

the market, customers and competitors, and from their experience in doing business with partners; therefore, learning is the heart of entrepreneurship (Sardana and Scott-Kemmis, 2010). The previous discussion makes it clear that all of the orientations are interrelated. The following section discusses the way in which they drive RC.

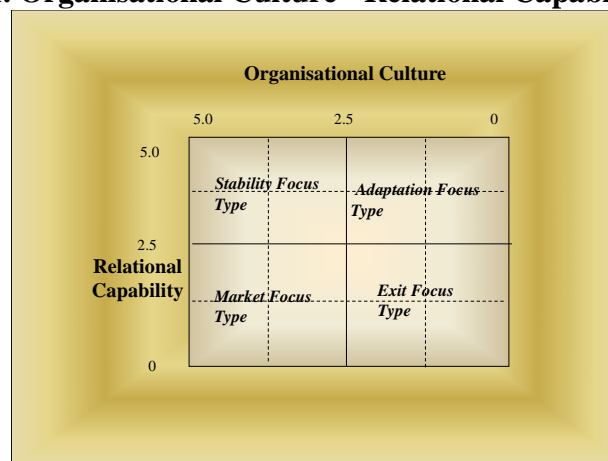
Sulhaini (2011) reported that the development of RC was explained by a firm's orientation towards learning. RC refers to a firm's capability to interact with customers in order to facilitate its knowledge accumulation; consequently, a highly learning-oriented firm will have a greater relational capability (Celuch et al., 2002; Jarratt, 2004). A firm tends to explore customer relationship opportunities as a means for enhancing competency and achieving advantages by maintaining close contact with customers, suppliers and other stakeholders. This allows for greater adaptability in the face of unexpected environmental changes (Kropp et al., 2006). LO could be assumed to be the heart of a firm's ability to adapt to a highly uncertain market environment (Jones et al., 2003). Sulhaini (2012) explained that the open-minded dimension of LO, in which generative learning was emphasised, allowed firms to learn about new challenges and market dynamics, and to develop the ability to adjust to and cope with them. The greater the commitment to learning, the more satisfying the relationship will be (Sulhaini, 2011). Similarly, Nykanen et al. (2009) pointed out that trust in a relationship is generated through the learning process, and that a willingness to learn about customers could be viewed as a commitment to the relationship. Therefore, it can be argued that LO facilitates the development of trust, satisfaction, commitment and, thus, RC. This idea is supported by Panayides (2007), who revealed that the orientation influences RC. LO culture will result in a firm having a greater propensity to learn about its customers, generating greater satisfaction, communication and trust in the relationships. Customer orientation is the first dimension of MO, as it places greater emphasis on customer satisfaction (Slater, 1996). Customer orientation drives firms' commitments to managing relationships since they are focused on understanding their customers' needs. MO, as a culture, facilitates a firm's orientation towards its customers (Tuominen et al., 2004). MO stresses the creation of superior customer value through the acquisition of knowledge about customers, market actors and trends. Developing strong customer relationships is an efficient way to gain such knowledge (Sanzo et al., 2003; Liyun, et al., 2008). The firms would also commit their resources to building customer relationships, since they are an important source of knowledge. This suggests that RC requires MO, which influences a firm's ability to develop customer relationships (Smirnova et al., 2009). Market-oriented firms cultivate

benefits by enhancing their RC, through which they can build mutually beneficial relationships characterised by a high amount of relationship elements, such as trust, satisfaction and commitment (Helfert et al., 2001).

Entrepreneurs place great emphasis on their business relationships (Day et al., 1998), and they are excellent networkers (Thompson, 1999) because they realise the importance of the relationships as sources for ideas, information, knowledge, opportunities or free advice. Business relationships can be the best method for experiential learning (Macpherson and Holt, 2007). Therefore, entrepreneurs need to develop their RC and cooperate with those around them (Clark and Holt, 2010). This capability is particularly important for entrepreneurs (Macpherson and Wilson, 2003) since they rely on business relationships in their learning strategies (Thorpe et al., 2005). Close business relationships offer a learning opportunity; learning from partners is advantageous since they can offer insight into a wide range of real business issues. However, the advantage will not be gained unless the appropriate RC is well developed (Macpherson and Wilson, 2003). This suggests that entrepreneurs will show proactive behaviour in order to gain advantages and develop their RC.

The above discussion suggests conclusively that all the orientations influence firms' RC. Organisational culture, such as LO, MO and EO, underlines the way in which a firm manages its relationships. The development of RC requires a strong combination of all of the orientations. Sulhaini (2012) proposed a model, illustrated below, that describes the types of relational capabilities and organisational cultures. Firms can be mapped according to their level of organisational culture and relational capability.

**Figure 1. Organisational Culture - Relational Capability Model**



Source: Sulhaini (2012); adapted

Figure 1 illustrates that relational capability is rooted in organisational culture and the way in which the firms are oriented toward learning, markets and entrepreneurship. This suggests that organisational culture stimulates the development of RC. A high level of those orientations will lead to a high level of RC. To be more specific, the variation in RC is due to the variation in organisational culture, which is formed by a combination of the ways in which firms are oriented toward learning, markets and entrepreneurship.

## Method

The empirical study was carried out in the creative industry, consisting of SMEs in sixteen handicraft centres, located in 14 villages in 4 different districts. Table 1 below shows the sample distribution:

**Tabel 1. The Sample distribution**

	<b>Number of firms and vilages</b>	<b>Percentages</b>
<i>Handicraft centres</i>		
Hand Woven	20 (2 vilages)	15
Woodcraft	27 (4 vilages)	20
Pottery craft	28 (3 vilages)	21
Bamboocraft	38 (3 vilages)	28
Pearlcraft	21 ( 2 vilages)	16
<i>Age of the respondents</i>		
< 31 years	15	11
31 – 40 years	40	30
41-50 years	57	43
>51 years	22	16
<i>Education Level of the respondents</i>		
Elementary school	29	22
Junior High School	21	16
Senior High School	50	37
Higher Education	34	25
<i>The number of employees</i>		
3-5	57	42
6 – 10	49	37
>10	28	21
<i>History of The interviewed firms</i>		
< 5 years	12	9
6-10 years	20	15
>10 years	102	76
<i>Total Sales per year</i>		
< Rp. 50 milion	78	58
Rp.50m –Rp.100 m	39	29
>Rp. 100 milion	17	13

For the purpose of the analysis, they were combined into five groups according to their products, namely, pearlcraft, handwoven, pottery craft, bambocraft and woodcraft. They were selected because they appeared to offer potential for supporting the tourism industry on Lombok Island, which is currently improving. Data was collected through a structured questionnaire distributed to 134 respondents—all purposively selected in February through April 2013. In accordance with the research context, the respondents were selected from firms that had three or more employees. Therefore, they were purposefully selected so that they could answer all of the questions, especially those regarding learning and market orientations.

### Research Instrument

For the purpose of this study, the questionnaire was developed based on previous research using the five-point Likert-type scale. The questionnaire consisted of 8 items regarding LO based on the research of Wang and Wei (2005), where the dimensions of LO were: commitment to learning, shared vision and open-mindedness. Further, as the study focused on organisational culture, and because MO was viewed as a cultural orientation, it was measured by 8 items based on the work of Sanzo et al. (2003), which was itself an adaptation of the dimensions proposed by Slater (1996). This study examined all five dimensions of EO by adapting the work of Hughes and Morgan (2007) Fourteen items were measured in order to gain a complete understanding of a firm's orientation toward entrepreneurship. In regards to the dimensions of RC, the study adopted the work of Voss et al. (2006) and Chung et al. (2011) and captured information about 22 items. The questionnaire, written in Bahasa Indonesia, asked respondents to indicate their level of agreement with all statements. The levels of every dimension of each orientation and relational capability were categorised, as seen in Table 2:

**Tabel 2. Category of Organisational Culture and Relational Capability**

Range of Value/score	Category
4,2 - 5,0	Very high
3, 4 - < 4,2	High
2,6 - < 3,4	Fair
1,8 - < 2,6	Low
1,0 - < 1,8	Very Low

## Finding and Discussion

Based on the structured interviews and observations, it appears that nearly all of the handicraft centres are showing a negative trend (e.g. the number of art shops), and sales have decreased significantly since Bom Bali II. Consequently, art shop owners and crafters have largely returned to agricultural pursuits. On the contrary, the tourism industry is blooming on the island. While it was expected that the creative industry could support development, the observed trend did not meet that expectation. The data analysis was carried out by first interpreting the results (i.e. scores of all of the orientations and RC) based on the average scores and category assignment of each group of handicraft centres. As a result, it was feasible to map each group according to their level of organisational culture and relational capability, as discussed below.

**Table 3. Value and Category of Handwoven group**

	Value	Range of Value	Category
<i>Learning Orientation</i>			
Commitmen to Learning	3,18	2,6 - < 3,4	Fair
Shared Vision	3,20	2,6 - < 3,4	Fair
Open mindedness	3,13	2,6 - < 3,4	Fair
<b>Mean</b>	<b>3,17</b>	2,6 - < 3,4	Fair
<i>Market Orientation</i>			
Customer Orientation	3,18	2,6 - < 3,4	Fair
Competitor Orientation	3,25	2,6 - < 3,4	Fair
Interfunctional Coordination	2,7	2,6 - < 3,4	Fair
<b>Mean</b>	<b>3,04</b>	2,6 - < 3,4	Fair
<i>Entrepreneurial Orientation</i>			
Innovativeness	3,26	2,6 - < 3,4	Fair
Competitive agresiveness	3,40	3, 4 - < 4,2	<b>High</b>
Risk Taking	3,23	2,6 - < 3,4	Fair
Proactiveness	3,20	2,6 - < 3,4	Fair
Autonomy	3,15	2,6 - < 3,4	Fair
<b>Mean</b>	<b>3,25</b>	2,6 - < 3,4	Fair
<b>Mean of Organisational Culture</b>	<b>3,15</b>	2,6 - < 3,4	Fair
<i>Relational Capability</i>			
Credibility Trust	3,28	2,6 - < 3,4	Fair
Benevolence Trust	3,09	2,6 - < 3,4	Fair
Calculative Commitment	3,40	3, 4 - < 4,2	<b>High</b>
Affective commitment	3,20	2,6 - < 3,4	Fair
Economic Satisfaction	3,29	2,6 - < 3,4	Fair
Social Satisfaction	3,10	2,6 - < 3,4	Fair
<b>Mean</b>	<b>3,21</b>	2,6 - < 3,4	Fair

Sukarara and Puyung are well known as handwoven villages, and the authors discovered that local art shop owners pay fees of up to 60% of sales to their partners. The total was composed of 20% for the guide, 20% for the tour bus driver and 10% for the travel agent. Moreover, the art shop owners are required to pay parking fees to the drivers when they bring in tourists, regardless of whether or not the tourists buy any products. Worse, the art shop owners



sometimes bribe the drivers to bring tourists to their shops. This leads to unreasonable prices, and results in a low customer value. The implication is that art shop owners depend on their partners (e.g. bus drivers, tourist guides and travel agents). This is especially evident in calculative commitment, which is categorised as high, while affective commitment and economic and social satisfactions felt in the relationship are categorised as fair. Calculative commitment is generated from a high dependence on partners that have nefarious motivations for continuing the relationship (Ruyter et al., 2001). On the contrary, affective commitment is linked to emotions since it refers to the pride partners feel as a result of their relationship with one another (Cullen et al., 2000). The art shop owners commit to the relationship because they do not know how to market their products through different channels and partners. Their partners are aware of this and become arrogant, leading to one-sided relationships. This attitude was seen by the authors, who observed a guide in the process of selecting a product to wear for a wedding party. He promised to return it the next day, but the owner 'ignored' the request because he feared losing his partner.

**Table 4. Value and Category of Woodcraft group**

	Value	Range of Value	Category
<i>Learning Orientation</i>			
Commitmen to Learning	2,63	2,6 - < 3,4	Fair
Shared Vision	2,64	2,6 - < 3,4	Fair
Open mindedness	2,57	1,8 - < 2,6	Poor
<b>Mean</b>	<b>2,61</b>	2,6 - < 3,4	Fair
<i>Market Orientation</i>			
Customer Orientation	2,81	2,6 - < 3,4	Fair
Competitor Orientation	2,80	2,6 - < 3,4	Fair
Interfunctional Coordination	2,67	2,6 - < 3,4	Fair
<b>Mean</b>	<b>2,76</b>	2,6 - < 3,4	Fair
<i>Entrepreneurial Orientation</i>			
Innovativeness	2,87	2,6 - < 3,4	Fair
Competitive agresiveness	2,91	2,6 - < 3,4	Fair
Risk Taking	2,87	2,6 - < 3,4	Fair
Proactiveness	2,91	2,6 - < 3,4	Fair
Autonomy	2,88	2,6 - < 3,4	Fair
<b>Mean</b>	<b>2,86</b>	2,6 - < 3,4	Fair
<b>Mean of Organisational Culture</b>	<b>2,74</b>	2,6 - < 3,4	Fair
<i>Relational Capability</i>			
Credibility Trust	2,86	2,6 - < 3,4	Fair
Benevolence Trust	2,88	2,6 - < 3,4	Fair
Calculative Commitment	2,89	2,6 - < 3,4	Fair
Affective Commitment	2,87	2,6 - < 3,4	Fair
Economic Satisfaction	2,91	2,6 - < 3,4	Fair
Social Satisfaction	3,02	2,6 - < 3,4	Fair
<b>Mean</b>	<b>2,91</b>	2,6 - < 3,4	Fair

Villages such as Sesela and Rungkang Jangkuk are established woodcraft centres, but the authors found that a number of their art shops were closed down due to declining sales. The shops had formerly produced unique products made of teak or mahogany that were decorated with small pieces of seashells. Lombok is famous for these products, which have potential in both local and international markets. In comparison to the other groups, the level of the orientations of this group was the lowest. Therefore, they require support and guidance so that they could improve their organisational culture, develop their relational capability and cultivate market opportunity.

**Table 5. Value and Category of Pottery craft group**

	Value	Range of Value	Category
<i>Learning Orientation</i>			
Commitment to Learning	2,83	2,6 - < 3,4	Fair
Shared Vision	2,90	2,6 - < 3,4	Fair
Open mindedness	2,74	2,6 - < 3,4	Fair
<b>Mean</b>	<b>2,83</b>	2,6 - < 3,4	Fair
<i>Market Orientation</i>			
Customer Orientation	2,89	2,6 - < 3,4	Fair
Competitor Orientation	2,89	2,6 - < 3,4	Fair
Interfunctional Coordination	2,89	2,6 - < 3,4	Fair
<b>Mean</b>	<b>2,89</b>	2,6 - < 3,4	Fair
<i>Entrepreneurial Orientation</i>			
Innovativeness	3,09	2,6 - < 3,4	Fair
Competitive agresiveness	3,04	2,6 - < 3,4	Fair
Risk Taking	2,84	2,6 - < 3,4	Fair
Proactiveness	3,10	2,6 - < 3,4	Fair
Autonomy	3,02	2,6 - < 3,4	Fair
<b>Mean</b>	<b>3,02</b>	2,6 - < 3,4	Fair
<b>Mean of Organisational Culture</b>	<b>2,91</b>	2,6 - < 3,4	Fair
<i>Relational Capability</i>			
Credibility Trust	2,97	2,6 - < 3,4	Fair
Benevolence Trust	3,00	2,6 - < 3,4	Fair
Calculative Commitment	3,07	2,6 - < 3,4	Fair
Affective commitment	2,80	2,6 - < 3,4	Fair
Economic Satisfaction	3,05	2,6 - < 3,4	Fair
Social Satisfaction	3,12	2,6 - < 3,4	Fair
<b>Mean</b>	<b>2,91</b>	2,6 - < 3,4	Fair

The author collected data in three villages, Banyumulek (West Lombok), Penujak (Central Lombok) and Penakak (East Lombok), where craftsmen had been trained in design by experts from New Zealand. The centres seemed to be dying after they were knocked down by BomBali II because the international orders they were dependent upon suddenly disappeared. A number of art shops remained opened because the owners still remembered the prosperous period, but without shopkeepers, they fell into disrepair. Indeed, the authors were unable to interview the owners because they were absent. This group had a fair category for both variables. Similar to the Handwoven group, artshop owners had to pay 35% - 50% to their

partners showing calculative commitment. They were passive and very depended on existing relationships but lack of motivation to find new ways/channels in marketing their products due to weaknesses in LO, MO and EO.

The villages of Lenek and Gunung Sari were the locations for collection of data regarding bamboocraft. The first village seemed to be in a worse situation since it is located far from the capital city, Senggigi and the three gillies, which are popular tourist destinations, and is thus farther away from its potential customers. Also, the art shop owners sometimes set very high, unreasonable prices since they did not expect buyers to return to the village. This suggests that they did not orientate to their customers and were unaware of the power of positive word-of-mouth. Consequently, the level of market orientation was low. This group had a fair combination of organisational culture and relational capability.

**Table 6. Value and Category of Bamboocraft group**

	Value	Range of Value	Category
<i>Learning Orientation</i>			
Commitmen to Learning	2,69	2,6 - < 3,4	Fair
Shared Vision	2,66	2,6 - < 3,4	Fair
Open mindedness	2,68	2,6 - < 3,4	Fair
<b>Mean</b>	<b>2,68</b>	2,6 - < 3,4	Fair
<i>Market Orientation</i>			
Customer Orientation	2,85	2,6 - < 3,4	Fair
Competitor Orientation	2,86	2,6 - < 3,4	Fair
Interfunctional Coordination	2,87	2,6 - < 3,4	Fair
<b>Mean</b>	<b>2,86</b>	2,6 - < 3,4	Fair
<i>Entrepreneurial Orientation</i>			
Innovativeness	2,93	2,6 - < 3,4	Fair
Competitive agresiveness	2,95	2,6 - < 3,4	Fair
Risk Taking	2,83	2,6 - < 3,4	Fair
Proactiveness	2,93	2,6 - < 3,4	Fair
Autonomy	2,96	2,6 - < 3,4	Fair
<b>Mean</b>	<b>2,92</b>	2,6 - < 3,4	Fair
<b>Mean of Organisational Culture</b>	<b>2,82</b>	2,6 - < 3,4	Fair
<i>Relational Capability</i>			
Credibility Trust	2,91	2,6 - < 3,4	Fair
Benevolence Trust	2,89	2,6 - < 3,4	Fair
Calculative Commitment	2,87	2,6 - < 3,4	Fair
Affective commitment	2,79	2,6 - < 3,4	Fair
Economic Satisfaction	2,96	2,6 - < 3,4	Fair
Social Satisfaction	2,93	2,6 - < 3,4	Fair
<b>Mean</b>	<b>2,89</b>	2,6 - < 3,4	Fair

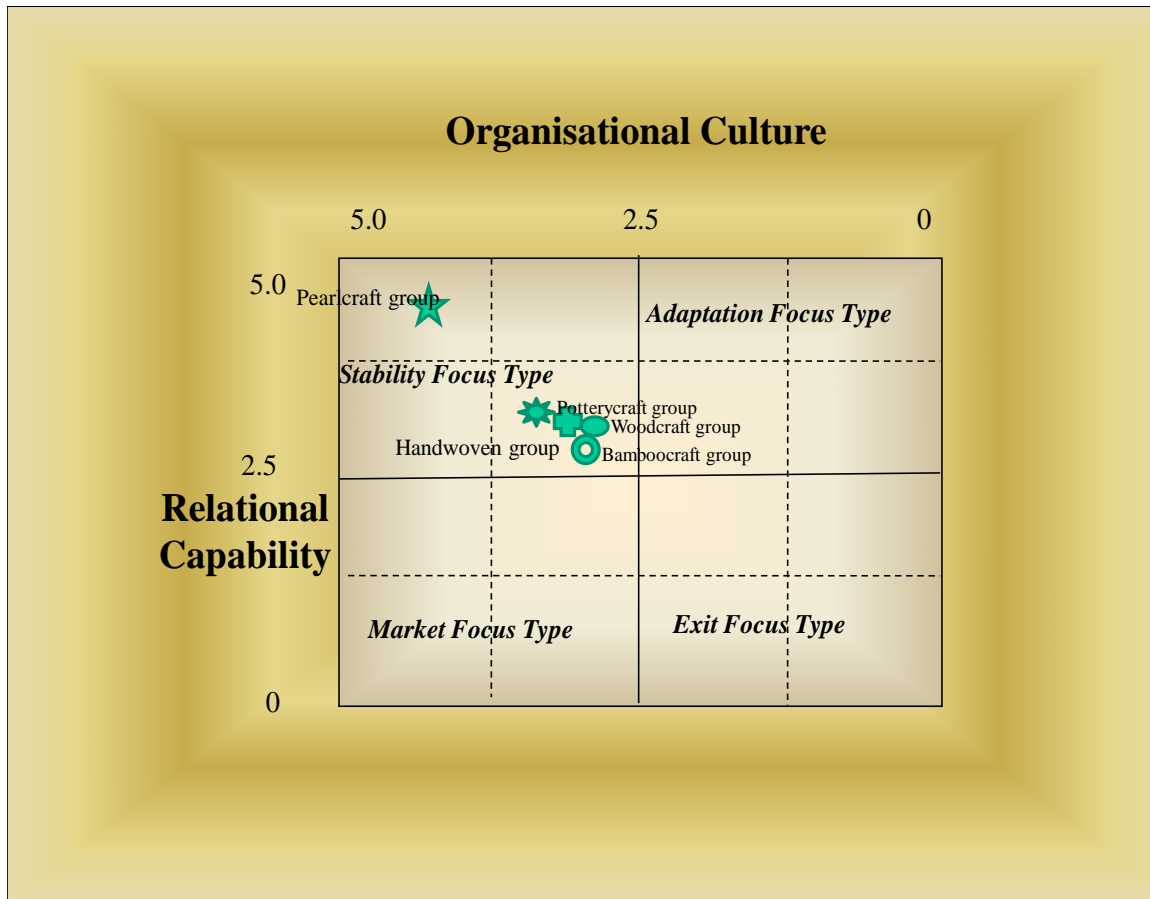
Lombok Island has long been known as the best source of South Sea pearls. Pearlcraft centres, located in Kamasan and Sekarbela, are close to main tourist destinations like Gili Trawangan and Senggigi Beach. The centres demonstrated very strong development, and the

art shop owners sometimes refused to pay fees to guides, drivers and travel agents. However, The relationships were characterised by mutual commitment and satisfaction and thus mutual dependence on each other. The focus is therefore to maintain relationships. This resulted in a large difference between this group and the others. Moreover, they had a higher level of education and a better ability to market their products over the Internet. Almost all of the respondents of this group had their own website generating a greater opportunity for direct interaction with their customers through which they learnt customer/market trend.

**Table 7. Value and Category of Pearlcraft group**

	Value	Range of Value	Category
<b><i>Learning Orientation</i></b>			
Commitmen to Learning	4,24	4,2 - 5,0	Very good
Shared Vision	4,23	4,2 - 5,0	Very good
Open mindedness	4,23	4,2 - 5,0	Very good
<b>Mean</b>	<b>4,23</b>	4,2 - 5,0	Very good
<b><i>Market Orientation</i></b>			
Customer Orientation	4,30	4,2 - 5,0	Very good
Competitor Orientation	4,35	4,2 - 5,0	Very good
Interfunctional Coordination	4,20	4,2 - 5,0	Very good
<b>Mean</b>	<b>4,28</b>	4,2 - 5,0	Very good
<b><i>Entrepreneurial Orientation</i></b>			
Innovativness	4,30	4,2 - 5,0	Very good
Competitive agresiveness	4,26	4,2 - 5,0	Very good
Risk Taking	4,29	4,2 - 5,0	Very good
Proactiveness	4,33	4,2 - 5,0	Very good
Autonomy	4,33	4,2 - 5,0	Very good
<b>Mean</b>	<b>4,30</b>	4,2 - 5,0	Very good
<b>Mean of Organisational Culture</b>	<b>4,27</b>	4,2 - 5,0	Very good
<b><i>Relational Capability</i></b>			
Credibility Trust	4,31	4,2 - 5,0	Very good
Benevolence Trust	4,33	4,2 - 5,0	Very good
Calculative Commitment	4,27	4,2 - 5,0	Very good
Affective commitment	4,35	4,2 - 5,0	Very good
Economic Satisfaction	4,37	4,2 - 5,0	Very good
Social Satisfaction	4,37	4,2 - 5,0	Very good
<b>Mean</b>	<b>4,33</b>	4,2 - 5,0	Very good

Based on the data above, it was feasible to map all of the handicraft groups based on their level of organisational culture orientation and relational capability. The figure below illustrates their positions:

**Figure 2. Organisational Culture-Relational Capability Model.**

Source: Sulhaini (2012) adapted based on the analysis

Figure 2 illustrates that the pearlcraft group demonstrated the best combination of organisational culture and relational capability, both of which were very high. In the same quadrant (i.e. Stability Focus Type), the handwoven group came in second; however, the challenges faced by this group were similar to the rest of the groups. The pearlcraft group focused to maintain stability of business relationships by strengthen affective commitment and customer orientation. The firms in this group tended to be more aggressive and innovative in product development and marketing strategy. On the contrary, the firms in the other groups were passive and tried to maintain their relationships by increasing calculative commitment. The study suggests that better culture results in better relational capability. The pearlcraft group demonstrated the highest level of learning, market, and entrepreneurial orientations, which led to the highest relational capability. The firms in this group might experience stronger developments in trust, commitment and satisfaction, thus resulting in more stable relationships, which can be expected from a better combination of the orientations. On the other hand, the firms in the other groups, which had a lower level of

orientations and organisational culture, had a weaker relational capability, which led to unstable relationships due to lack of trust, commitment and satisfaction.

### **Conclusion, Implications and Limitations**

This study analysed the level of organisational culture and relational capability of five groups of handicraft centres and mapped them accordingly. It was found that the pearlcraft centre group had the best combination of both variables and was in the most desirable quadrant, while the other groups demonstrated fair combinations. The analysis suggested that the variations in learning, market and entrepreneurial orientations were consistent with the variations in trust, satisfaction and commitment within the relationship. The better the orientations and organisational culture, the better the relational capability. It seems that a strong relational capability results from strong organisational culture orientations. Therefore, it is crucial to develop organisational culture in order to enhance relational capability. The local government should provide support through training and guidance for local SMEs and emphasise the development of these orientations.

It is strongly urged that future research focus on a wider research area and more variables in order to provide more comprehensive knowledge on this phenomenon. Research on a national scale might provide insight into the challenges faced by SMEs in Indonesia. In addition, variables such as business performance and value co-creation should be included in future research. Qualitative research could be an alternative methodology in order to explore and obtain deeper insights into this phenomenon.

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