

## Determinants of the Sustainability of Laying Hen Farming Business



Ni Wayan Puni Antari<sup>1</sup>, Ida Ayu Nyoman Saskara<sup>2</sup>, Ni Putu Wiwin Setyari<sup>3</sup>, Ni Nyoman Reni Suasih<sup>4</sup>

<sup>1,2,3,4</sup> Faculty of Economic and Business, Udayana University, Indonesia

**ABSTRACT:** The agricultural sector as a pillar of development together with the tourism sector and small industries. As part of the agricultural sector and the livestock subsector, the laying hen farming business is growing in line with the increase in egg production in Indonesia. However, during 2020 – 2022 egg production decreased in several districts in Bali Province and had an impact on the sustainability of the business. The leading factor that affects business sustainability is entrepreneurial orientation. The application of entrepreneurial orientation to companies is more about holding product market innovations, daring to run risky businesses and starting proactive innovations that will affect the performance and sustainability of their business. This article intends to describe the sustainability of the laying hen farming business and the things that affect it so that it can provide a direction for future studi in maintaining the sustainability of the laying hen farming business.

**KEYWORD:** Farming, Entrepreneurship Orientation, Business Sustainability

### I. INTRODUCTION

In Indonesia, the agricultural sector in 2022 contributed 13.12 percent to the formation of the national Gross Domestic Product (GDP) and absorbed the largest workforce, which was 38.7 million people or 28.60 percent of the total labor absorption in 2022 (BPS, 2023). In the 2020-2021 period, the agricultural sector contributed an average of around 9.93 percent to the GDP of Bali Province, under the contribution of the accommodation, beverage and food supply sector, and the construction sector. The livestock subsector made the largest contribution to the GDP of the agricultural sector, with an average of 4.67 percent. In Bangli Regency, the contribution of the agricultural sector to GDP is greater than the average district/city in Bali Province during 2018 – 2022. During this period, the agricultural sector in Bangli Regency on average contributed 27.48 percent. As part of the agricultural sector and the livestock subsector, the laying hen farming business is growing in line with the increase in egg production in Indonesia.

The laying hen business also supports the government in meeting the animal protein needs of the Indonesian people. Although Bangli Regency controls most of the egg production in Bali, egg production during 2020 – 2022 has declined as was experienced in several other districts and cities in Bali Province during that period. Many farmers in Bangli Regency have succeeded in developing their businesses so that they can increase the population which has an impact on increasing egg production. However, there are also not a few farmers who are not able to run their businesses properly so they have to reduce the population and even close their businesses. There are several things that affect the success and failure or sustainability of the chicken farming business in Bangli Regency. The performance or survival of a business, especially Micro, Small and Medium Enterprises, is greatly influenced by internal and external factors, which can be seen from its sustainability both in the short and long term.

Based on this phenomenon, it can be seen that one of the factors that affect business sustainability is entrepreneurial orientation. Furthermore, Kantis (2005) mentioned several factors that can affect entrepreneurial orientation, including socio-economic conditions, socio-culture, production structure, personal aspects, cooperation networks, market factors, as well as government regulations and policies. Ahmad and Richard (2008) define entrepreneurship orientation as the action of business owners in implementing the entrepreneurial spirit which in generating business value through the creation or expansion of economic activities, by identifying and exploiting new products, as well as market expansion.

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Soegoto (2009) stated that entrepreneurship is business creativity built on innovation to produce something new, have added value, provide benefits, create jobs and the results are beneficial to others. According to the Commission of the European Communities (2003), entrepreneurship contributes to job creation and growth, it is important to create competitiveness, unlock personal potential, and benefit the community. Entrepreneurial orientation, also called entrepreneurial activity, is the implementation of the entrepreneurial spirit as a strategic resource of the organization that has the potential to be a competitive advantage (Gutterman, 2021). Entrepreneurship is able to motivate people to create breakthroughs in commercial and social innovation. Some of the key dimensions of entrepreneurial orientation are independence, a willingness to innovate and take risks, an aggressive attitude towards competitors, and proactively facing market opportunities. Management plays an important role in organizing and incorporating other production factors in running the company. Good management is one of the keys to success in all types of production, including agriculture. Untuk mengembangkan usaha, petani sebagai produsen harus mendedikasikan banyak waktu dan perhatian saat membuat keputusan manajemen. Selain itu, mereka harus fokus pada proses pengembangan keterampilan manajemen (Franks, 2006).

Drucker (1994) stated that an entrepreneur is someone who is able to take advantage of opportunities. Entrepreneurship is the main factor that drives the growth of the company. Miller (1983) and Covin and Slevin (1989) formulated the dimensions of entrepreneurial orientation, namely proactiveness, innovativeness, risk taking and all of these dimensions have an effect on business sustainability. Meanwhile, Lumpkin and Dess (1996) added that there is a relationship between entrepreneurship and entrepreneurial orientation. Entrepreneurial orientation consists of 5 dimensions including: (a) innovation, (b) risk-taking, (c) reactivity, (d) autonomy, and (e) competitive aggressiveness. Entrepreneurial orientation can be defined as a strategic process that encourages entrepreneurial actions, such as recognizing and taking advantage of new business opportunities (Lumpkin and Dess, 2001). More specifically, entrepreneurial orientation is a key factor that influences organizational strategy, corporate culture, leadership, and marketing (Tuan, 2015). As a consequence, it has been proven that companies with a higher level of entrepreneurial orientation perform better (Keh et al., 2007).

Aspects of the company are closely related to entrepreneurial orientation and business sustainability. Miller (2011) states that entrepreneurial orientation is a combination of three dimensions, namely innovation, proactivity, and risk-taking. These three dimensions are based on the characteristics of being engaged in product market innovation, doing rather risky business, and generating proactive innovations to beat competitors. SMEs collectively realize efficiency through specialization support, social relationships, and synergy with other parties (Zeng et al., 2010).

Dess, Lumpkin and Covin (1997) who stated that the relationship between entrepreneurial orientation and strategy has a positive effect on business sustainability. Miller and Friesen (1984) suggest that companies that have an entrepreneurial orientation are more likely to carry out product market innovations, dare to run risky businesses and initiate proactive innovations. Schumpeter's theory of entrepreneurship in 1934 was first conceptualized from an innovation perspective to determine how different factors can influence entrepreneurs to succeed or fail. Schumpeter defines an entrepreneur as an innovator, whose function is to reform production patterns by producing new commodities or organizing new industries or creating new ways to achieve something. Kumaraswamy et al. (2018) and Schumpeter (1934) argue that economic orientation strategies such as innovation, risk-taking, and competitive aggressiveness can play an important role in the sustainability of small business entrepreneurs.

The results of Lee and Tsang's (2001) research on 168 Chinese-owned SMEs in Singapore show that entrepreneurial orientation has a positive effect on business growth and sustainability. Covin and Slevin (1991) found that companies that have an Entrepreneurial Orientation will make companies find new opportunities and strengthen their competitive position in conducting business activities in the market. Research related to Entrepreneurship Orientation and corporate sustainability has been conducted by several researchers such as Keh et al. (2007) who conducted research on Small and Medium Industries in Singapore, found that Entrepreneurship Orientation has a positive and significant effect on Financial Performance.

## II. METHOD

This study seeks to study the relationship between variables so that it is included in relational research. The research and development process is used to combine and assess research relating to the core of a particular topic in this systematic assessment of the literature. A comprehensive evaluation of the literature looks, identifies, assesses, and exhausts all studies on topics of interest with a variety of questions in the relevant study (Sugiyono, 2015). In order to provide the collected data to the reader logically and subsequently to explain and defend it, this study uses descriptive analysis.

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### III. RESULT AND DISCUSSION

#### A. Development of the Agricultural Sector

The agricultural sector plays a very important role in economic development, especially in developing countries as stated by Arsyad (1999), and Todaro (2017). Kuznets' view cited by Ghatak (1984) and Tambunan (2003) states that the agricultural sector in developing countries has four potential capabilities in contributing to national growth and development. The four contributions are:

- 1. Product contributions.** Expansion in the non-agricultural sector is closely related to the agricultural sector. The agricultural sector is not only continuously increasing food supplies, but also providing raw materials for industrial products, such as textiles. The contribution of agricultural sector products is shown by the contribution of the agricultural sector to the formation of Gross Domestic Product (GDP) and also the linkages coefficient of the agricultural sector with other sectors.
- 2. Market contribution.** Due to economic bias in the early stages of development, the agricultural sector substantially contributes to the market. This contribution is shown by farmers' expenditure on industrial goods both for consumption and as an intermediate input. On the other hand, the agricultural sector also sells its output for the needs of other sectors
- 3. Contribution factors.** As the oldest sector, the agricultural sector contributes its output to other sectors. These contributions can be in the form of capital and also labor including human resources. Capital transfer occurs because the surplus in the agricultural sector is contributed to the non-agricultural sector, this is because the non-agricultural sector generally has a more elastic demand for capital than the agricultural sector. Labor transfer from the agricultural sector is contributed to the non-agricultural sector, this is because the agricultural sector generally has an abundant supply of labor. With low wage levels in the agricultural sector, the workforce will be encouraged to move from the agricultural sector to the non-agricultural sector.
- 4. Foreign exchange contribution.** In developing countries, the agricultural sector plays a very important role in contributing foreign exchange, because the main export of developing countries is agricultural commodities. Foreign exchange from agricultural commodity exports is generally used to finance the development of non-agricultural sectors. This is first because the expansion of production in agricultural export commodities such as coffee, cocoa or cotton can be carried out with a largely subsistence cropping system to avoid new investment. Second, because the agricultural sector generally often uses relatively little additional capital.

In relation to the role of the agricultural sector, in developing countries, the agricultural sector is generally made a top priority in development programs. Raharjo (1984) added that the reason why the agricultural sector was built first compared to the industrial sector is: First, industrial goods need the support of people's purchasing power. Since most of the potential buyers are farming communities who make up the majority of the population of developing countries, their income levels need to be increased through agricultural development. To build modern and efficient factories, a minimum size is required, namely an optimal production area. Therefore, a wider group of people with adequate purchasing power is needed here. Second, to reduce production costs from the wage and salary components, it is necessary to have the availability of cheap foodstuffs, so that the wages and salaries received can be used to meet the basic needs of workers and employees. This can be achieved if the production of agricultural products, especially food, can be increased so that the price can be cheaper and affordable by purchasing power. Third, industry also needs raw materials derived from the agricultural sector, and therefore the production of industrial materials provides the basis for the growth of the industry itself.

In addition to the above goals, Todaro (2017) also added that the purpose of agricultural development is to balance regional development, namely between urban and rural development, because agricultural businesses are generally located in rural areas. To increase agricultural production, especially small-scale ones, technological innovation is needed.

#### B. Sustainable Agricultural Development

Sustainable development is defined as development to meet the needs of the present without compromising the ability of future generations to meet their needs. According to FAO (Food and Agriculture Organization) from the United Nations, sustainable agriculture is the management of natural resources and the orientation of technological and institutional changes that are carried out in such a way as to ensure the sustainable fulfillment and satisfaction of human needs for current and future generations. Mary V. Gold (1999) stated that sustainable agriculture combines three goals which include: environmental security, profitable agriculture and the welfare of farming communities. These goals have been defined variously by various disciplines, but the key word is: benefits for farmers and consumers. Sustainable agriculture is a model of socio-economic organization based on a vision of equitable and participatory development, which affirms that natural resources and the environment are the basis of economic activity.

Agriculture will be sustainable when it pays attention to ecology, is economically viable, socially accountable and culturally appropriate, and is based on a holistic scientific approach. Sustainable agriculture is one of the whole-of-system approaches to food, feed, and other fibre products that is balanced with environmental security, social equity, and economic viability between all sectors

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of society, including the international and cross-generational community. Operationally, sustainable development is defined as an effort to maximize the net benefits of economic development on the condition that it can maintain and improve the services, quality and quantity of natural resources at all times. Furthermore, the Agricultural Research Service (USDA) defines sustainable agriculture as agriculture that in the future can be competitive, productive, profitable, conserve natural resources, protect the environment, and improve health, food quality, and safety (Saptana and Ashari, 2007).

### C. Sustainability of Livestock Business

The achievement of corporate sustainability refers to the level of achievement of performance or achievements of the company in a certain period of time. The sustainability of a company is very decisive in the development of a company. The company's goals, which consist of: standing or surviving (survive), to obtain profits (benefits) and to be able to develop (growth), can be achieved if the company has good performance. The sustainability of a company can be seen from the level of sales, profit rate, return on capital, turnover rate and market share achieved (Jauch and Glueck, 1988). Corporate sustainability is seen as a measure of how well an organization or entity is achieving its goals (Gonzales and Gonzales, 2005). The company's sustainability should include three specific areas of the company's outcomes: financial performance (such as profitability), marketing performance (such as customer growth) and profits received by shareholders. Business sustainability evaluation activities can usually be known through the success of measuring product market performance, customer growth and sales ups and downs (Richard et al, 2009).

The sustainability of the laying hen business is influenced by social and economic factors of farmers, such as low education levels, who do not dare to take risks because there is no guarantee from the government on production input factors such as capital, availability of feed ingredients, grains and medicines, while economic factors are related to production outputs such as egg prices and marketing. The sustainability of a business is supported by several factors (Ligthelm, 2010), while these factors are a strong cause for a business to survive, namely the compilation of a business plan, regular business plan updates, analyzing competitors, ease of entering a new business, the ability to calculate or calculate income risk.

### D. Entrepreneurial orientation

Entrepreneurial orientation has a positive influence on the implementation of sustainable development in a company, namely when it is supported by a high level of initiative and innovation, moderate risk-taking and competitive aggressiveness and low autonomy (Gawel, 2012). Schumpeter in 1934 first conceptualized the theory of entrepreneurship from the perspective of innovation to determine how different factors can affect entrepreneurs to succeed or fail. Schumpeter defines an entrepreneur as an innovator, whose function is to reform production patterns by producing new commodities or organizing new industries or creating new ways to achieve something. Kumaraswamy et al. (2018) and Schumpeter (1934) argue that economic orientation strategies such as innovation, risk-taking, and competitive aggressiveness can play an important role in the sustainability of small business entrepreneurs.

From the perspective of the individual, the factors that drive the success of the business, are mainly influenced by the personality of the entrepreneur himself. In general, successful personal profiles are those who meet the main requirements to become a successful entrepreneur, including; Passionate attitude in doing business, strong willingness, in-depth knowledge, perseverance, having technical skills to run their business and confident. Successful entrepreneurs who are able to bring their business sustainable are usually innovative and creative. Innovative ability is the ability to see, imagine and create unique new products, processes or services, as well as being able to seize market opportunities and visualize creative new ways to profit.

## IV. CONCLUSIONS

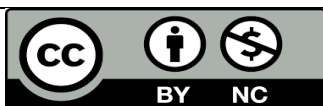
Entrepreneurial orientation is very important in the laying hen farming business in Bangli Regency in overcoming problems in business management. The ability to manage a business is one of the important factors that support the success of farmers, something that farmers who are less successful are not able to do. Managing a laying breed chicken farm certainly requires an entrepreneurial spirit that is implemented into an entrepreneurial orientation in order to run a business well, achieve production targets that will affect the performance and sustainability of the business. The special job of entrepreneurs in a running company is to enable existing companies, especially those that have succeeded, to continue to run and to remain successful in the future

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