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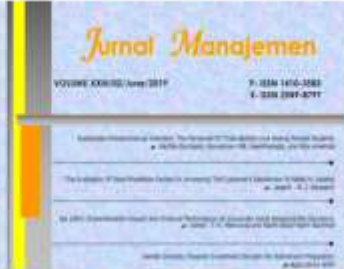
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## The Effect of Cultural Values on Business Strategy Choices

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**Abstract:** The strategy is important in the effort to achieve firm performance. The decision of an entrepreneur in determining the choice of strategy is often influenced by certain factors. Ethnic cultural values embraced by an entrepreneur will often be an important issue that will have an impact on the choice of their business strategy. Therefore, this study aims to examine the effect of cultural values on business strategy choices. The study was conducted using quantitative methods using primary data through a survey on micro, small and medium business entrepreneurs in Palembang city. A total of 150 questionnaires were distributed to entrepreneurs. The number of questionnaires used in this study was 107 (71%). Structural Equation Modeling (SEM) Partial Least Squares (PLS) analysis using Warp PLS version 5.0 software is used to test the hypothesis. The results of the study indicate that the cultural values embraced by entrepreneurs influence the choice of business strategies that they implement.

**Keywords:** cultural values, business strategy choices, micro – small and medium business entrepreneurs.

**Abstrak:** Strategi merupakan hal penting dalam upaya mencapai kinerja perusahaan. Keputusan seorang pengusaha dalam menentukan pilihan strategi seringkali dipengaruhi oleh faktor-faktor tertentu. Nilai-nilai budaya etnisitas yang dipegang oleh seorang pengusaha sering kali justru akan menjadi masalah penting yang akan berdampak pada pilihan strategi bisnis mereka. Oleh karena itu, penelitian ini bertujuan untuk menguji pengaruh nilai-nilai budaya pada pilihan strategi bisnis. Penelitian dilakukan dengan menggunakan metode kuantitatif menggunakan data primer melalui survei pada pengusaha mikro, kecil dan menengah di kota Palembang. Sebanyak 150 kuesioner dibagikan kepada pengusaha. Jumlah kuesioner yang digunakan dalam penelitian ini adalah 107 (71%). Analisis *Structural Equation Modeling (SEM) Partial Least Squares (PLS)* menggunakan perangkat lunak Warp PLS versi 5.0 digunakan untuk menguji hipotesis. Hasil penelitian menunjukkan bahwa nilai-nilai budaya yang dianut oleh pengusaha mempengaruhi pilihan strategi bisnis yang mereka terapkan.

**Kata Kunci:** nilai-nilai budaya, pilihan strategi bisnis, pengusaha mikro – kecil dan menengah.

## INTRODUCTION

Business continuity will be greatly influenced by the ability of management and business owners to implement their business plans and objectives (Setiawan, 2012). This

is important to note because today the business world is in a very dynamic competition. Related to business competition, several studies have discussed a lot about it. Several studies conducted by (Mia and Winata, 2014); see the intensity of competition as a factor that can affect company performance.

Some of the literature illustrates that business competition must be effectively anticipated so that it does not adversely bad effect on firm performance. The ability to identify and anticipate competition is an important key to supporting business continuity. For this reason, strategy becomes another matter that must be considered by business owners and managers. An effective strategy will be very instrumental in efforts to achieve firm performance. This is as explained by (Setiawan, 2016) that the atmosphere of uncertainty in business processes requires policymakers in the business sector to be observant in choosing the right strategy as an effort to win the competition. This is also following (Rochyawati, 2012) which states that the relevant strategy will support the achievement of an effective corporate financial performance.

Some findings have also proven this, among others, (Setiawan, 2016) who concluded that firms that apply differentiation strategy choices will have better financial performance than the firms that implement the cost leadership strategy. Previously, (Ikbali et al., 2012); (Tavitiyaman et al., 2012) concluded that corporate strategic choices had a positive effect on firm performance. Some of these findings confirm (Bolat and Yilmaz, 2009) stating that firms must strive to implement various methods and approaches that are appropriate to support the success of their business ventures. These methods and approaches are the appropriate strategies implemented by each firm. Several similar studies were also conducted by (Singla and George, 2013); (McManus, 2013); (Hartini, 2013); (Chen and Tan, 2013); (Kalkan et al., 2014); (Karabag and Berggren, 2014); (Macinati and Pessina, 2014); (Park dan Kim, 2014); (Su et al., 2015); (Perwiranegara, 2015); (Turner et al., 2017).

To provide an alternative of strategy choices, (Cinquini and Tenucci, 2010) summarize strategy variables in the three dimensions of strategy choices, namely (1) prospector or defender related to the strategy pattern, (2) build or harvest (harvest) related to the strategic mission, and (3) differentiation or cost leadership associated with positioning strategy. However, in the anticipate of intense competition, companies will be faced with the choice of whether to apply a strategy based on the prospector or defender pattern or choose a strategy based on positioning strategy (differentiation or cost leadership).

(Cinquini and Tenucci, 2010) explain that, prospector's competitive strategy focuses more on product innovation, offers a wider range of products and is considered a pioneer in a certain product and market area. Meanwhile, the defender strategy will focus more on efficiency (Cinquini and Tenucci, 2010). On the other hand, the cost leadership strategy focuses on the lowest cost compared to competitors, and the differentiation strategy focuses on providing products that can be perceived by customers as unique products (Cinquini and Tenucci, 2010).

Seeing the importance of strategy in creating an optimal performance for firms, it becomes interesting to identify the choice of strategies implemented by local firms in Palembang city. Palembang is a one-of business city on the Sumatera island. This is based on data published by the Indonesian Statistics of South Sumatra Province in 2018 which shows the number of micro-small businesses in the city of Palembang is 150,087

(23.3%). This is the highest among 17 cities/regencies in South Sumatera, with the most types of businesses being large and retail trade, repair and maintenance of cars and motorbikes (BPS, 2018). On the other hand, entrepreneurs who run businesses in Palembang city are local and traditional. Data of South Sumatera Province in 2018 also identified that the majority of micro small business operators are individuals with business management carried out simply (BPS, 2018).

The characteristic description of local entrepreneurs in Palembang provides research opportunities on the choice of business strategies of entrepreneurs in the Palembang city. Also, research needs to look at what factors underlie them in determining strategy choices. For this reason, this research will identify the fundamental factor that is predicted to influence a choice of business strategy. Factors of cultural values are predicted to be important things that can influence the choice of business strategies by an entrepreneur. This is based on (Koning, 2007) which states that cultural values are possible will influence one's business behavior. This is also following (Kania, 2010) that cultural values are a fundamental foundation for a businessman in running his business. Some other literature about culture and personal characteristics is also conveyed by (Turner and Guilding, 2013); (Madjid, 2013); (Lu and Hao, 2013); (Rante et al., 2014); (Park and Kim, 2014); (Perwiranegara, 2015); (Gultom et al., 2016); (Satya and Maftuh, 2016); (Dewi, 2018). That literature illustrates how cultural values and personal characteristics of a person can influence their important decisions.

Characteristics of different cultural values can also make a difference in the entrepreneurial characteristics of each ethnic group. This is as explained by (Bachtiar and Amalia, 2012) who concluded that the ethnic Chinese entrepreneurship character was higher than the Minang and ethnic Malay entrepreneurship characters. Their empirical findings illustrate that ethnic Chinese are more have entrepreneurial character than Malays and Minang. On the other hand, (Bachtiar and Amalia, 2012) explain the reasons why ethnic Chinese prefer to become entrepreneurs. That is because the cultural values of ethnicity inherited by ancestors consistently and taught by parents in the family such as frugal culture, hard work, should not be lazy, and should not give up.

On the other hand, (Dewi, 2018) explained that the Minang ethnic and Chinese ethnic have similarities, which are equally strong in trading and religiosity. Nevertheless, the two have differences, namely differences in social systems. The social system is the most important part of the formation of cultural values of ethnicity. The Chinese have a patrilineal system while the Minang have a matrilineal system. Another difference is the difference in religion or belief (Dewi, 2018). These differences will eventually also have an impact on differences in decisions and the business way.

These things are also other interesting phenomena that can be the reason why the differences in the cultural values of ethnicity in business activity need to be examined in Palembang city. Chinese, Malay, and Minang ethnic groups have the same profession tendencies, namely trading. However, each ethnic group has basic values that are held and passed on to its descendants, so that it may still influence the business style of each ethnic group. It is based on (Koning, 2007) also explains the fundamental differences in the principles and cultural values between Chinese and Pribumi people in a business context. On the other hand, (Slater and Slater, 2007) explain that an important challenge of global business and increasingly dynamic competition is the ability of entrepreneurs to identify thoughts about cultural values. Therefore, it is very reasonable if the cultural

values held by an entrepreneur will influence their decisions in determining the business strategy that will be carried out. Based on this background, the study aims to confirm whether the cultural values adopted by an entrepreneur have an impact on the selection of corporate strategy.

## THEORETICAL REVIEW

**Strategy choices.** (Chathoth and Olsen, 2007) state that the formulation and implementation of strategies is a key factor in achieving the company's business goals. (Gimbert et al., 2010) explain that the formulation of a strategy is a process that must be carried out by a company to define the long-term direction of the company as a whole and define the scope of the firm.

(Teeratansirikool et al., 2013) state that the strategy can be seen based on the two main typologies of Porter's model, the cost leadership strategy, and the differentiation strategy. The cost leadership strategy is a strategic choice that is more focused on getting the lowest cost compared to competitors. Conversely, a differentiation strategy will focus more on providing products that are superior to products offered by competitors and with a superior brand image (Cinquini and Tenucci, 2010).

Another strategy choice is a strategic choice based on the typology of (Miles and Snow, 1978). The choice of strategy is the choice of a prospector competitive strategy. (Cinquini and Tenucci, 2010) explain that the choice of competitive prospector strategies can be implemented through product innovation, and making the products produced are pioneering products of their kind. Therefore, (Cinquini and Tenucci, 2010) state that the marketing function and the research and development function will be the main functions that companies must focus on in this strategy. Second is the choice of defender strategy. According to (Cinquini and Tenucci, 2010), companies that implement defender strategies will focus more on efficiency choices, and choose to focus on production and engineering functions. Such companies will concentrate more on narrow product choices and prefer to operate in a relatively stable environment.

(Teeratansirikool et al., 2013); (Karabag and Berggren, 2014); explains that companies that have implemented positive competitive strategy choices have had a significant impact in improving business performance. (McManus, 2013) explains that companies that focus on implementing market orientation strategies and prospector strategies also have a positive impact on their performance. The description of some explanations on the implementation of the choice of strategy has an impact on the achievement of the company's business performance. That is confirming that the choice to implement the choice of competitive strategy has become a demand and requirement for every business person in this dynamic competition era.

**Cultural values.** (Slater and Slater, 2007) explain that the ability of management or business owners to identify differences in cultural thinking is when they develop and build corporate strategies, and this is an important challenge in dealing with the complexities of global business. This is supported by (Blackburn et al., 2013) which explains that the business owner is a party who has a major role in determining the strategy that will be applied to business ventures that will be run by the firm. Therefore, differences in ethnicity in the context of cultural values can have an impact on one's



business behavior (Koning, 2007). Furthermore, (Kania, 2010) explains cultural differences in one place can have an impact on differences in business practices in one place with another. (Magundjaya, 2013) explains that culture in an environment will ultimately influence the organization in carrying out its operations.

Based on some literature, there are several characteristics of cultural values that apply in the world of business in Indonesia. Based on ethnic groups. Chinese ethnics as one of the ethnic groups that have characteristics that are identified as having five entrepreneurial principles namely, reliable and trustworthy, strength of relationships in the network, thrifty, creative and innovative nature as well as having a business ethic, work ethic, and entrepreneurial ethos (Musianto, 2003). Added by (Pontjoharyo, 2011), Chinese business people prioritize participatory empowerment and the participation of others, and always prioritize responsibilities between superiors and employees in the company's managerial activities. On the contrary, (Mangundjaya, 2013) generally sees that the cultural values of *Pibumi* ethnic such as Javanese and Malays tend to have characteristics characterized as ethnicity that prioritizes high collectivity values, place higher importance on seniority, prefer situations and conditions stable, has clear boundaries between gender roles and is more oriented towards short-term choices. Some of the literature shows that each ethnic group has values that can explain their characteristics on the cultural values they link. Therefore, (Kania, 2010) believes that cultural values can be an important fundamental factor in running a business.

**Research hypothesis.** As explained in the previous section, the culture and characteristics of the cultural values embraced by an entrepreneur are fundamental factors that can affect the business pattern of an entrepreneur. Several studies have tried to identify this. (Slater and Slater, 2007) concluded that the culture of a place would be an important consideration factor used by managers in making business expansion decisions. Previously, (Mavodo and Farell, 2003) concluded that organizational culture would be positively related to the implementation of organizational strategy.

In another study, (Koning, 2007) explained that differences in the context of cultural values of an entrepreneur's ethnicity can have an impact on their business behavior. (Blackburn et al., 2013) concluded that the characteristics of business owners are an important factor in implementing corporate strategy choices. Based on the characteristics of ethnic values, Chinese business groups will tend to be long-term strategy oriented (Musianto, 2003) on the contrary, the principle of ethnic Pribumi cultural values will tend to prefer short-term oriented strategies (Mangundjaya, 2013). Recent findings (Setiawan et al., 2019) explained that differences in the characteristics of the ethnicity of hotel owners affect the implementation of strategic management accounting in the hotel industry. Based on several explanations of the above literature, the hypotheses that will be proven in this study are;

**H<sub>1</sub>:** The cultural values embraced by an entrepreneur or business manager have a positive effect on the implementation of the choice of strategies.

## METHODOLOGY

**Table 1.** Questionnaire Distribution

Explanation	Number of questionnaires
Number of survey questionnaires delivered to respondents	150
Number of questionnaires that were not returned	43
Number of questionnaires returned and analyzed	107
Response rate	71%

Source: Primary data processed

**Population, sample, and data collection method.** Population and sample are entrepreneurs who run businesses through micro, small and medium businesses in Palembang city. Data collection using nonprobability sampling convenience techniques. Data were collected using survey techniques by giving questionnaires as research instruments addressed directly to research respondents.

Data collection was carried out for approximately 6 weeks from the first week of February 2020 to the second week of March 2020. Table 1 shows the number of questionnaires distributed. The survey was conducted to entrepreneurs who run businesses through micro, small and medium enterprises in Palembang city. A total of 150 questionnaires were delivered to respondents, however, 107 questionnaires returned and could be analyzed in the data processing process. The response rate in this study at 71%. Another 43 questionnaires did not return for various reasons and could not be processed in the research data processing. However, a response rate of 71% is a relatively good achievement in the process of collecting data in an empirical study.

**Data analysis method.** Hypothesis testing is using Partial Least Square (PLS) Structural Equation Modeling (SEM) analysis. SEM-PLS analysis using Warp PLS software version 5.0. Hypothesis testing Based on the path coefficient  $\beta$  value and p-value significance. The path coefficient  $\beta$  must be positive with the significance of p-values at  $\alpha$  5%.

### Variables

**Strategy choices.** Following (Cinquini and Tenucci, 2010), a defender strategy is defined as a business that is characterized by constant competition, a relatively stable set of products/services, tends to strive for efficiency and specialization and is a centralized organization. Conversely, the prospector strategy is defined as a business that is characterized by dynamic competition, relatively frequent changes in the set of products/services, continuous efforts to become pioneers in new market areas and have a flexible structure. Strategy selection was measured using the instrument used by (Cinquini and Tenucci, 2010) by asking respondents to describe strategy priorities with a 6 point Likert scale (1 for the defender strategy, namely (1) business is characterized as a company that is in constant competition, the set of products/services is relatively stable, tends to strive for efficiency, is specialized and is a centralized organization, (2) maximizes short-term and medium-term profits, is willing to sacrifice market share, (3)

the main focus is on achieving lower costs than competitors. 6 for the prospector strategy, namely (1) business is characterized as a company that is in dynamic competition, relatively varied in a set of products/services, strives to continue to become a pioneer in new market areas and has a flexible organizational structure, (2) increased market sales and share, low return on investment in the short and medium-term, and focused on long-term profits and (3) the main focus is making something felt unique to customers through superior product/service features, customer service, brand image, and performance.

**Cultural values.** Cultural values are often identified using the five main dimensions of (Hofstede's, 2011) culture, namely power distance, uncertainty avoidance, individuality - collectivity, masculinity-femininity, long-term orientation - short term. Following (Brett, 2017), cultural values are seen based on the unique character of a group of people in the form, value characteristics and norms related to the political, economic and legal systems that provide the structure of social interaction in a place. The instrument for measuring cultural variables is designed based on the literature of (Musianto, 2003); (Koning, 2007); (Pontjoharyo, 2011) and (Mangundjaya, 2013). Respondents were asked to describe the cultural values embraced with the 6 points Likert scale. 1 to prioritize seniority and power, investment returns to buy outside the business (lifestyle), prioritize personal priorities and prefer stable conditions as usually, 6 to prioritize participatory empowerment, investment returns for business development, prioritize reliable and trustworthy traits and prioritize creative and innovative principles.

## THE RESULTS OF STATISTICAL TESTS

**Descriptive statistics.** Table 2 shows the profile of the research respondents. This research was supported by 107 respondents. Based on gender demographics, respondents were dominated by male respondents, male respondents who participated in this study numbered 69 people or 64.5%, while female respondents who participated in this study numbered 38 people or 35.5%. This data shows that business management is still dominated by males.

**Table 2** Respondents Profile

Respondents Profile	Number	Percentage (%)	
1. Gender			
a. Female	38	35,5	
b. Male	69	64,5	
2. Ethnicity			
a. Chinese	80	74,8	
b. Malay	3	2,8	
c. Minang	1	0,9	
d. Java	20	18,8	
e. Batak	3	2,8	
	Youngest	Oldest	Average
3. Age	22	66	45,04

Source: Primary data processed



Based on ethnicity category, Table 4.2 shows that Chinese respondents have the most number, 80 people (74.8%) followed by Javanese respondents (20.8%), Malay ethnic and Batak ethnic respectively 3 people or each one is 2.8%, finally, Minang ethnic has 1 person (0.9%). This shows that the ethnic Chinese are still showing as the dominant ethnic in business activities in many places including the Palembang city. Table 2 also shows data regarding the age of respondents. The age of respondents who participated in this study ranged in age between 22 to 66 years with an average age of 45.04 years. This shows that many micro, small and medium entrepreneurs in Palembang city are in the productive age.

**Table 3.** Research Data

<b>Variables</b>	<b>Theoretical Range</b>	<b>Actual Range</b>	<b>Mean</b>	<b>Standard Deviation</b>
Strategy choices	3 – 18	4 – 18	12,32	3,052
Cultural values	4 – 24	4 – 24	16,27	4,181

Source: Primary data processed

Based on Table 3, data of strategy choices applied by micro, small and medium entrepreneurs in Palembang city is on an average of 12.32 with a theoretical range between 3 – 18 and the actual range between 4 – 18. This shows that the micro, small and medium entrepreneurs in Palembang city tend to choose prospector oriented strategies. Data of cultural values embraced by micro, small and medium entrepreneurs in Palembang city show an average value of 16.27 with a theoretical range of 4 – 24 and an actual range of 4 – 24. This shows that the score of cultural values embraced by micro, small and medium entrepreneurs tends to prioritize participatory empowerment, investment returns for business development, promote reliable and trustworthy traits, and prioritize creative and innovative principles.

**Table 4.** Test Results of Data Validity and Reliability

<b>Variables</b>	<b>Loading</b>	<b>Composite Reliability</b>	<b>AVE</b>
Strategy choices			
SC1	0,909	0,907	0,765
SC2	0,896		
SC3	0,816		
SC4			
Cultural values		0,928	0,763
CV1	0,887		
CV2	0,908		
CV3	0,881		
CV4	0,815		

Source: Primary data processed

**Data Validity and Reliability.** Table 4 shows the results of the validity and reliability of research data. The test results show the composite reliability value of each construct >

0,7. The value of convergent validity (average variance extracted) each construct is at a value  $> 0.5$ . Reliability indicator values (loading) of all constructs  $> 0.7$ . All validity and reliability testing criteria are following the criteria of (Hair et al., 2013). Therefore, all indicators of the research construct can be used.

**Table 5.** Validity of Discriminant Research Data

	Cultural values	Strategy choices
Cultural values	0,874	
Strategy choices	0,651***	0,874

Diagonal elements: square root of AVE, element *off-diagonal*: correlation between constructs  
\*\*\* significant at  $p < 0,01$

Table 5 shows the results of discriminant validity testing of the measurement instruments of the research construct. The test results in Table 5 show the AVE square root value of each construct is greater than the highest correlation of the other constructs. Based on the test results shown in Tables 4 and 5, it can be concluded that the construct measurements in this research model are valid and reliable. For this reason, this research data is suitable for further testing.

## DISCUSSION

**Hypothesis 1.** Based on Table 6 the fit and quality indices model of APC values, each ARS shows a value that is following criteria. Significant APC value  $< 0.001$ , ARS value  $< 0.001$  are in the criteria below 5% (Kock, 2011). However, AVIF value is not available in this study. This is because this study only tested 1 dependent variable. Therefore, it can be concluded that this research model is fit so that the research model is feasible to use for further testing.

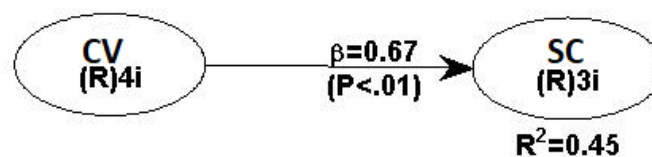
**Table 6.** Model Fit and Quality Indices

Model Fit Items	Value	Criteria	Decision
Average path coefficient (APC)	0,669, $P < 0,001$	$P < 0,05$	fit
Average R-squared (ARS)	0,447, $P < 0,001$	$P < 0,05$	fit
Average block VIF (AVIF)	Not available *)		

\*) This research will only prove 1 independent variable

Source: Primary data processed

**Figure 1.** Research Model Structure



The research will prove the hypothesis which states that the cultural values embraced by an entrepreneur or business manager have a positive effect on the implementation of the choice of strategies applied. Based on Figure 1 it can be seen that cultural values have a  $\beta$  coefficient of 0.67 with a p-value  $< 0.01$  or at a value of  $\alpha$  1%. This proves that there is a positive influence between the cultural values embraced by an entrepreneur or business manager on the implementation of strategy choices. Based on empirical data collected in this research, micro, small and medium entrepreneurs tend to cultural values embrace that are oriented to prioritize participatory empowerment, investment returns for business development, prioritize reliable and trustworthy traits and prioritize creative and innovative principles. On the other hand, the entrepreneur in this study also tends to choose a prospector-oriented strategy. Therefore, the empirical data collected can confirm the hypothesis in this study, so that the research hypothesis can be supported.

The findings of this study successfully support the hypothesis that cultural values held by an entrepreneur or business manager have a positive effect on the implementation of their business strategy choices. The results of this study are relevant to the findings of several previous studies conducted by (Musianto, 2003); (Koning, 2007); (Blackburn et al., 2013) which states that the ethnic and cultural characteristics of an entrepreneur will greatly influence business behavior, especially in implementing strategic choices. This research succeeded in proving that there is a positive influence between cultural values embraced on the choice of strategy. This is also relevant to the findings of (Kadir, 2014) that entrepreneurs personality values can influence the company's business strategy.

Some literature characterizes two different poles of cultural values that are usually held by an entrepreneur. Some literature characterizes two different poles of cultural values that are usually held by an entrepreneur. These cultural values are inherited from the ethnicity of an entrepreneur's ancestor. Basing on the literature of (Musianto, 2003); (Koning, 2007); (Pontjoharyo, 2011) and (Mangundjaya, 2013) can be described by two poles, namely as values that prioritize seniority and power, use investment return to buy outside of business, put forward personal priorities and prefer stable conditions as a negative pole, and values that prioritize participatory empowerment, investment returns for business development, prioritize reliable and trustworthy traits and prioritize creative and innovative principles at the positive pole. This study found that the majority of micro, small and medium entrepreneurs in Palembang city tended to embrace positive cultural values.

(Brett's, 2017) explains that cultural values are formed based on the unique character of a group of people. (Brett, 2017) further explained that culture can be seen as the characteristics of values, norms, and characteristics of people in a community or organization that provides a structure of social interaction for members of the group. The habits that exist in ethnic culture and customs will have an impact on the socio-economic and community life patterns. Ultimately, this will have an impact on business governance in that place. This is as explained by (Semiarty and Fanany, 2017) that the cultural values of ethnicity at the local or regional level have historically played a very important role in building society's environment. Habits that emerge from the impact of local culture will ultimately significantly influence one's leadership style. This explanation is confirmed by the findings of this study. On the other hand, the findings of this study can also explain

that the cultural values embraced by entrepreneurs have had an impact on patterns of leadership in business organizations. This can be seen from the influence of cultural values on the choice of strategy. The decision to choose a strategy pattern and apply it to the organization's business activities is a form of implementing the leadership pattern.

This finding can also explain the findings of (Mavodo and Farell, 2003). Based on a holistic study of the relationship between organizational culture, business strategy, and functional strategies. (Mavodo and Farell, 2003) concluded that organizational culture is positively related to organizational strategy. These findings generally confirm that organizational culture can influence corporate functional strategy decisions. It is also relevant to be linked with (Brett's, 2017) explanation that based on a purely behavioral perspective, cultural values provide functional solutions to social interaction problems. The culture that is formed from the habits of local communities can have implications for organizational culture and business culture in a place. This is also supported by (Slater and Slater, 2007) which explains that managers in the business decision-making process including the determination of business strategies can consider the environmental and cultural influences at that place.

The findings also confirm that the majority of an entrepreneur involved in research is more to choose a prospector strategy. The prospector strategy is oriented to the focus of dynamic competition with a dynamic climate of business change that always strives to be a pioneer in its business area (Cinquini and Tenucci, 2010). Two empirical findings of this study are relevant to explain the positive influence of cultural values on strategy choices. Strategies that are oriented as pioneers and anticipate competition are strategies that see long-term interests (Gimbert et al., 2010). Such a strategy is also a strategy that must involve all the potential that exists in an organization (Cinquini and Tenucci, 2010). Therefore, this choice of strategy is very relevant to positive cultural values.

This finding also indirectly explains the opposite position. Entrepreneurs who are oriented towards negative, namely as cultural values that tend to adhere to values that focus on prioritizing seniority and power, using investment return to buy outside the business, prioritize personal priorities and preferring stable conditions and as usual will tend to think short term (Mangundjaya, 2013). Short-term thinking is reflected in the choice of strategy that is more oriented to the defender. A defender's orientation will be more about efficiency and choosing the operator in stable conditions and forgetting the importance of innovation (Cinquini and Tenucci, 2010).

(Slater and Slater, 2007) also explain that an important challenge for global business is the ability to identify cultural differences when developing and building corporate strategies because this will provide insight for managers to create competitive advantage. Culture in a business context can also be related to a negotiation strategy pattern. Some of these explanations illustrate that the cultural values of ethnicity held by business people can affect the style of doing business which will ultimately have an impact on the achievement of the success of the business being run.

This finding also further confirms that differences in ethnicity cultural systems in a place can have an impact on the differences in systems and business strategies in the place. This shows the possibility that business systems and strategies can differ in places that have different ethnicities and cultures. This is as explained by (Kania, 2010) which states that cultural values are important factors that must be considered in running a business. This opinion is based on the argument, that differences in ethnicity culture in a

place can ultimately affect the business culture in the place. Cultural values in a place will eventually lead to differences in commercial practices in one place (Kania, 2010).

The findings and some explanations of the results of this study indicate that the cultural values of ethnicity can have an influence on managerial patterns and practices in the management of a business. The principles and cultural values of ethnicity that are adopted by an entrepreneur can influence the pattern of business management especially in the implementation of their business strategy choices. Cultural values that are brought by entrepreneurs into business organizations will eventually become an organizational culture. Concretely, this occurs due to interactions between the owner and manager, manager and employee. The managerial patterns and practices of the company that is following the organizational culture that is in line with the values of the entrepreneur's culture will be an important factor in the company's strategy to achieve success in business.

Finally, what's interesting about the findings of this study is that positive values held by an entrepreneur can encourage him to choose a set of strategies that are also positively orientation. The strategy choice to focus on the long term orientation to developing a successful business can be achieved if entrepreneurs are committed to giving the involvement to all components of the organization through participation, also, prioritizing obligations rather than rights is an important factor for creating business sustainability, and focusing on creativity and innovation.

## CONCLUSION

Research findings on the influence of cultural values and the implementation of business strategy choices have successfully concluded that the cultural values embraced by entrepreneurs and business managers of micro, small and medium businesses in Palembang city have a positive effect on the implementation of their business strategy choices. The conclusion of the study found that most entrepreneurs in Palembang city tend to embrace cultural values that prioritize the principles of participatory empowerment, investment returns for business development, prioritize reliable and trustworthy traits, as well as prioritize creative and innovative principles. On the other hand, the research findings also conclude that most entrepreneurs prefer prospector strategies in conducting their business. This finding further confirms the logical relationship that positive cultural values will encourage entrepreneurs to choose the implementation of strategies that are also oriented to positive things.

An important implication arising from the results of this study is that every entrepreneur needs to apply positive cultural values in running their business. Also, the choice of prospector strategy is an option that must be considered by every entrepreneur. This is important because these empirical research findings have proven that in the face of increasingly dynamic business competitiveness, many entrepreneurs have chosen to embrace cultural values and strategic choices that are oriented towards positive choices, namely, promoting participative empowerment, long-term oriented and focus on creativity and innovation.

However, this study still has several limitations. One limitation of the study of the influence of cultural values on the implementation of strategy choices has not yet identified further differences between ethnic groups. Ethnic differences are very



important to study. This can be done to identify whether the cultural values that are implemented differ among ethnic groups. On the other hand, at present, there is a possibility that inter-ethnic groups have cultural assimilation. This can have an impact on the mixing of cultural values between ethnic groups. Therefore, it is possible that differences between ethnic groups do not make a difference in the choice of business strategies that are implemented.

Based on the conclusions of the research results and the limitations of the study, suggestions that can be given for future research development are, future research can consider identifying and describing cultural values based on differences in ethnicity of micro, small and medium entrepreneurs at Palembang city. This will answer and confirm whether differences in ethnicity still have relevance to strategic choices. Also, whether ethnicity differences are still relevant to see differences in cultural values embraced by each entrepreneur. This can explain the possibility of cultural assimilation between ethnic groups in Palembang city.

This is based on the findings of (Satya and Maftuh, 2016) explaining that the ethnic Chinese and Malay people did positive interactions in the economic field. The interaction of the economic field between ethnic Chinese and Malays is trade. This interaction is a form of assimilation between cultures and ethnicities in trade relations. (Satya and Maftuh, 2016) further explained that ethnic Chinese in the economic field often develop business partnerships with ethnic Malays. Ethnic Chinese who have capital will do business with ethnic Malays. Ethnic Malays as suppliers of raw materials or labor.

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