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Preliminary Study of Classifying Indonesian Entrepreneurs

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Abstract

Recently, the term entrepreneurship has become more popular, especially in Indonesia. People believed that an increasing number of entrepreneurs could level down the number of unemployment and decrease the number of corruptions in this country. Many studies have been trying to classified different terms of entrepreneurs and its issues but few have studied on entrepreneurs in Indonesia and their motivations. Referring to what Richomme-Huet and De-Freyman (2011) had mentioned in their article, there are four types of entrepreneurs: regular entrepreneurs, social entrepreneurs, green entrepreneurs, and sustainable entrepreneurs. This study examined the classification of Indonesian entrepreneurs and their motivations. The data was collected by giving out a structured close-ended online survey to a number of entrepreneurs which were chosen purposively-random. A cluster analysis using SPSS program was used to ensure the accuracy of analysis. It is found that the majority of Indonesian entrepreneurs classified themselves into sustainable entrepreneurs where profit, planet and people is the core values of business although by observation, they seemed to care more about material profits. Moreover, their highest motivation of business was the need to increase their income.

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Keywords: Sustainability; Indonesian Entrepreneurs; Motivation

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1. Introduction

The challenges for management today are to meet the regulations and requirements of eco-friendly business also control their negative impacts on the environment (Schaltegger and Wagner, 2011). Similarly, Committees of RUSA (2010) assumed that companies have become more aware of the interconnectedness of their activities and the manmade and natural world surrounding them. Moreover, there is an increasing number of demands in the market which seeks for a more eco-friendly yet socially responsible products and/or services. More benefits for the business and the security of its long-term competitiveness can be achieved through sustainability (Strandberg Consulting, 2009). Whereas sustainability issues, represented by the triple bottom line model which covered the sustainability of people, planet, and profits have been popular among management researchers especially in entrepreneurship studies. Many researchers believed that every business has a long-term goal of sustainability. Therefore due to such challenges, it is expected that these entrepreneurs would pay more attention and have the sustainable mindset in running their business. Furthermore, currently Indonesia has low competitive advantages compared to other nations in the neighbourhood (Gilani, et al., 2000).

From the sustainable entrepreneurship perspective, entrepreneurs have a responsibility not only to their stakeholders and shareholders but also to nature, society, and future generations (Basu, Osland, and Solt,). As it has been mentioned earlier, sustainability is not only focused on profits (like money) but also concerned on the sustainability of people and the environment. According to Richomme-Huet and De Freyman (2011), there were four types of entrepreneurs based on their sustainability orientation, namely regular, social, green, and sustainable entrepreneurs. This study was focused on the investigation of the classification of Indonesian entrepreneurs based on their orientation of sustainability and the exploration on their entrepreneurial motivations. A cluster analysis in SPSS for grouping the respondents was used.

2. Literature Review

Many researchers have been trying to categorized entrepreneurs based on many different matters, such as intention, vision, entrepreneurial aspirations, and others. “For a convinced entrepreneur, it consists of the ability to demonstrate responsible creativity while achieving viable, livable, and equitable development through the integration and management of natural and human resources in business” (Spence, Gherib, and Biwole, 2011). Below (Figure 1) is the model proposed by Tilley on the categorization of entrepreneurship. The model explained that all entrepreneurial orientation will have goals to be sustainable in all aspects and formed together in the highest category of entrepreneurship which is sustainable entrepreneurship.

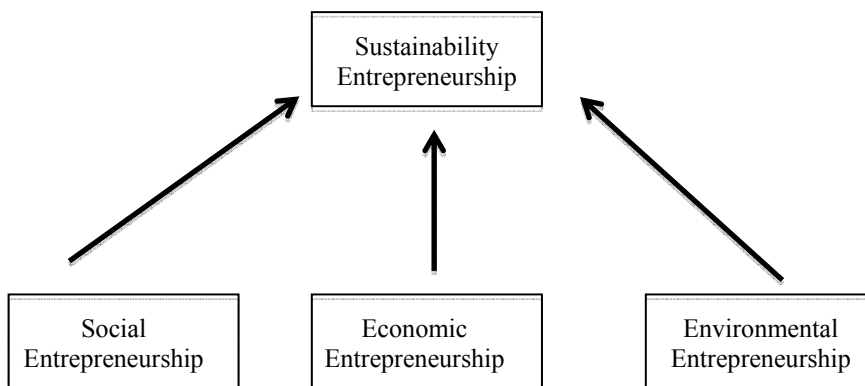


Fig. 1. Types of Entrepreneurship (Adopted from Tilley, 2007)

2.1. Regular Entrepreneurs

Regular entrepreneurs (Richomme-Huet and De Freyman, 2011) or economic entrepreneur which Tilley (2007) used in his term, is entrepreneurs which focused only on profits and consider less on the sustainability of people and the environment. “People become entrepreneurs because there are profits to be made and they are rewarded for their entrepreneurial undertakings in terms of income and wealth” (Richomme-Huet and De Freyman, 2011). Economic profits were the main goals for this type of entrepreneurs. Files must be in MS Word only and should be formatted for direct printing, using the CRC MS Word provided. Figures and tables should be embedded and not supplied separately.

2.2. Social Entrepreneurs

Social Entrepreneurship is businesses, for-profit or nonprofit, that strive to sustainably contribute to society and enact positive social change using entrepreneurial principles (Committees of RUSA, 2010). Based on the argument of Tillmar (2009), social entrepreneurship is defined as “innovative, social value creating activity that can occur within or across the nonprofit, business, or government sectors”. Social entrepreneurs were more concern about the sustainability of people. Many of the companies even created a separate division from communication division which is Corporate Social Responsibility (CSR division) to accommodate the need to be socially responsible. It was believed that by being socially responsible, economic profits would come along with it.

There are many definitions about social entrepreneurship. The term ‘social entrepreneurship’ emerged in the late 1990s in the U.S. (Bornstein, 1998; Boschee, 1995; Brinckerhoff, 2000; Dees, 1998a, b; ; Dees, Emerson, & Economy, 2001a; Drayton, 2002; Henton, Melville, & Walesh, 1997), and in the UK (Leadbeater, 1997; SSE, 2002; Warwick, 1997; Zadek & Thake, 1997). Social entrepreneurship as a practice that integrates economic and social value creation has a long heritage and a global presence. Said Business School (2005) social entrepreneurship may be defined as a professional, innovative, and sustainable approach to systemic change that resolves social market failures and grasps opportunities. Alvord, Brown and Letts (2004) social entrepreneurship creates innovative solutions to immediate social problems and mobilizes the ideas, capacities, resources, and social arrangements required for sustainable social transformations. Mort, Weerawardena, and Carnegie (2002) social entrepreneurship is multidimensional construct involving the expression of entrepreneurially virtuous behavior to achieve the social mission, a coherent unity of purpose and action in the face of moral complexity, the ability to recognize social value creating opportunities and key decision-making characteristics of innovativeness, proactiveness and risk-taking. Social entrepreneurs can thus be community leaders, activists in non-profit groups, or governmental employees that identify and implement any kind of innovation that furthers social wellbeing.

2.3. Ecopreneurs

Green entrepreneurship or eco-entrepreneurship (ecopreneurship) has a relatively similar meaning and can be used interchangeably. Ecopreneurship was an answer to market breakdown in dealing with negative environmental impact caused by the industries (Pastakia, 1998). Many researchers have pay attention to this issue since the last decades and Schaper (2002) also believed that the transition of sustainable development will need huge numbers of ecopreneurs.

The difference between entrepreneurs and ecopreneurs lays on its business purpose where entrepreneurs are more profit-oriented; ecopreneurs are both profit- and eco-friendly-oriented business. Although many entrepreneurs only focused on profit, an increasing number of ecopreneurs adopted different paradigm, focused on greening the bottom line and solving the problems in the society caused by their business (Ivanko and Kivirist, 2008). Ecopreneurs are entrepreneurs who not only care for the profits of their business, but also pay more attention to the underlying green values (Kirkwood and Walton, 2010) while entrepreneurs do not have this kind of attention. “Ecopreneurs can be said as a ‘pull’ factor that persuade other firms to proactively adopt green values, in contrast, government regulation and stakeholder or lobby-group pressure can act as the ‘push’ factors” (Schaper,

2002). Pastakia (1998) categorized ecopreneurs into two categories based on their intention: social and commercial ecopreneurs. Social ecopreneurs are said to be those individuals that intended to promote eco-friendly products/ideas/technology through market and non-market routes. However, commercial ecopreneurs are those people who show their environmental concern through a conscious and consistency in adopt eco-friendly business.

2.4. Sustainable Entrepreneurs

Sustainable entrepreneurship (SE) according to Spence, Gherib, and Biwole (2011) is, “an innovative, market oriented and personality driven form of value creation by environmentally or socially beneficial innovations and products exceeding the start-up phase of a company.” SE takes into account both social aspects and environmental effects while also considering the long-term economic and business consequences of new venture opportunities (Basu, Osland, and Solt,). They also believed that by focusing on SE, new ventures can potentially gain in several ways, including:

- Lower dependency on depletable resources
- Higher utilization of regenerating or renewable resources
- Superior insight into market opportunities and preferences
- Efficient production due to superior technologies and better skilled staff
- Efficient internal business dynamics
- Higher motivation of employees and attractiveness for new employees
- Lower burden from changes in environmental and social legislation
- Risk control (lower risk of environmental accidents, bad publicity)
- Basis for building a positive image and reputation
- Corporate social responsibility
- Business partnership with other sustainability entrepreneurs and global players

2.5. Motivations of Entrepreneurship

Benzing, Chu and Kara (2009) in their study of entrepreneurs in Turkey, among other things, presented a comparative result of numerous research on entrepreneurs’ motivating factors in different countries. For example, they stated that Swierczek and Ha (2003) in their study of Vietnamese small business owners found that challenge and achievement were more significant motivators than necessity and security. In Romania, income and job security needs were stronger motivators than self-satisfaction and personal needs (Benzing, Chu and Szabo 2005). On the other hand, entrepreneurs in India were most strongly motivated by the desire for autonomy and then to increase their income (Benzing and Chu 2005). In Turkey, entrepreneurs are motivated to start their own business so they could provide security for themselves and their family and to increase income (Ozsoy, Oksoy and Kozan 2001). Benzing, Chu and Kara (2009) also presented research results from African countries. Ugandan entrepreneurs are motivated by “making money” (Bewayo 1995). A study of entrepreneurs in Kenya and Ghana (Chu, Benzing and McGee 2007) found that the strongest two motivators were to increase income and to provide employment to themselves. Roy and Wheeler (2006) found that microenterprise owners in West Africa were motivated by a desire to satisfy basic psychological needs – food and shelter.

3. Methodology

This study used a purposively random sampling. The survey was targeted at the entrepreneurs in Indonesia and online survey was distributed using kwiksveys.com to people in facebook, mailing list and other social network. The survey consisted of four independent variables with five indicators for each variable. Unlimited number of surveys was distributed but there were only 36 people willing to spare their time and answered the survey. The response rate was quite low which was probably due to the specific sample targeted. Online survey was designed and used due to the time effectiveness and efficiency of cost. The research questions raised in this study were:

1. How many clusters will the respondents fall into?

2. Which cluster has the highest number of respondents?
3. What are their main motivations in being an entrepreneur?

Cluster analysis is grouping objects such as respondents, products, firms, variables, etc. so that each object as similar to the other objects in the cluster and different from objects in all the other clusters (Black, et al., 2010) the main purpose of cluster analysis was to group objects based on the characteristics they possess. Moreover, Black, et al. (2010) assumed that cluster analysis is not generalizable and is descriptive, non-inferential and theoretical. This study used cluster analysis because cluster analysis is good for taxonomy description where it identifies natural groups of the data. Steps in cluster analysis:

1. Select the variables.
2. Determine if clusters exist. To do so, verify the clusters are statistically different and theoretically meaningful (a logical name can be assigned).
3. Decide how many clusters to use.
4. Describe the characteristics of the derived clusters using demographics, psychographics, etc.

Most of the studies conducted by the previous research used qualitative approach in categorizing entrepreneurs. This study could offer the enrichment of literature studies regarding entrepreneurship, motivations, and their orientation of sustainability.

4. Discussion

The results from SPSS showed that the respondents were clustered into four groups which are regular entrepreneurs, social entrepreneurs, ecopreneurs (green entrepreneurs), and sustainable entrepreneurs. This was in line with the types of entrepreneurs proposed by Tilley (2007) and Richomme-Huet and De Freyman (2011). The four types of entrepreneurs formed in Richomme-Huet and De Freyman (2011) study to undergraduate students to explore their perspective of sustainable entrepreneurs which could also be used to characterize these entrepreneurs. The distribution of cases in each cluster showed that cluster 2 and 3 which are social entrepreneurship and ecopreneurship has the highest number of respondents (equal amount of 14 cases). Followed by cluster 4 which represented sustainable entrepreneurs (4 cases) and cluster 1 which are regular entrepreneurs (3 cases). Therefore, out of 35 cases, more than half of the respondents were social entrepreneurs and ecopreneurs (presented in Table 1).

Table 1. Number of Cases in Each Cluster

	1	3.000
Cluster	2	14.000
	3	14.000
	4	4.000
Valid		35.000
Missing		.000

Table 2 below showed the detail distribution of respondents in each clusters along with the distance between each case. The names of the respondents were all renamed since name was privacy for them. They were renamed *a* until *z* and continued with *aa* until *ai*.

Table 2. Detail Cluster Membership

Case Number	Respondents Name	Cluster	Distance
1	a	3	3.945
2	b	2	3.742
3	c	3	4.472
4	d	3	3.854
5	e	2	3.586
6	f	3	3.161
7	g	1	3.448

8	h	3	3.999
9	i	2	3.273
10	j	2	5.085
11	k	3	5.113
12	l	1	3.682
13	m	2	3.854
14	n	1	4.230
15	o	3	4.242
16	p	3	3.835
17	q	2	4.309
18	r	4	4.950
19	s	2	3.317
20	t	3	4.259
21	u	2	3.464
22	v	3	3.854
23	w	2	3.723
24	x	2	3.162
25	y	3	3.504
26	z	4	3.536
27	aa	4	3.873
28	ab	2	3.207
29	ac	3	4.780
30	ad	2	2.952
31	ae	2	3.546
32	af	3	3.909
33	ag	3	4.519
34	ah	2	3.566
35	ai	4	5.477

The distance between the four cluster were identified as follows (Table 3), cluster 1 to 2 is 5.245, cluster 1 to 3 is 4.544, cluster 1 to 4 is 6.101, cluster 2 to 3 is 4.917, cluster 2 to 4 is 7.889, and cluster 3 to 4 is 5.431. These distance showed how far they were located in the clustering graphic.

Table 3. Distances between Cluster Centers

Cluster	1	2	3	4
1		5.24 5	4.54 4	6.101
2	5.24 5		4.91 7	7.883
3	4.54 4	4.91 7		5.431
4	6.10 1	7.88 3	5.43 1	

As for the ANOVA test, it is presented in table 4 below. This ANOVA test was useful to see the mean square of clusters, mean square of errors, F tests, and the level of significance of the data. The first left column was the value name for each cluster.

Table 4. ANOVA Tests of Clustering Indonesian Entrepreneurs

	Cluster		Error		F	Sig.
	Mean Square	df	Mean Square	df		
Regular Entrepreneurs	.233	3	.248	31	.936	.435
Regular Entrepreneurs	.078	3	.153	31	.509	.679
Regular Entrepreneurs	.171	3	.214	31	.798	.505
Regular Entrepreneurs	.287	3	.153	31	1.880	.154
Regular Entrepreneurs	.244	3	.257	31	.953	.427

Social Entrepreneurs	1.390	3	.986	31	1.410	.259
Social Entrepreneurs	1.286	3	.982	31	1.310	.289
Social Entrepreneurs	1.387	3	.920	31	1.508	.232
Social Entrepreneurs	.905	3	.465	31	1.944	.143
Social Entrepreneurs	.629	3	.802	31	.784	.512
Ecopreneurs	21.729	3	.270	31	80.600	.000
Ecopreneurs	1.193	3	2.423	31	.492	.690
Ecopreneurs	9.786	3	1.127	31	8.685	.000
Ecopreneurs	5.414	3	1.417	31	3.821	.019
Ecopreneurs	7.521	3	1.213	31	6.200	.002
Sustainable Entrepreneurs	5.486	3	2.654	31	2.067	.125
Sustainable Entrepreneurs	2.502	3	.731	31	3.421	.029
Sustainable Entrepreneurs	26.438	3	1.659	31	15.936	.000
Sustainable Entrepreneurs	20.216	3	.759	31	26.641	.000
Sustainable Entrepreneurs	10.629	3	.387	31	27.457	.000

From the results presented above, it is essential to conclude that most of the Indonesian entrepreneurs were classified into social and eco entrepreneurs in which according to my own observation, it was quite surprising due to their real performance in running their day-to-day business. Based on my observation in the field, they were more concern to economic profits than being socially as well as environmental responsible. Nevertheless, they might have been doing social or eco-friendly activities in the name of their enterprise but not publicized. At first, it was expected that the result would be most of them were regular entrepreneurs like what they have been doing all these years, seeking for profit only. Analyzing from the discussion, it is better to suggest that being categorized as already a social or eco entrepreneur, it can be considered as a good start to continue their long-term goal to be a sustainable entrepreneurs which not only cares for either aspects, but all aspects such as people, planet, and profits.

In terms of their motivations in becoming entrepreneurs, a frequency analysis has been automatically run by the online survey provider (kwiksurveys.com). The statistics (Table 5) showed that the most selected motivation is to increase their income, followed by passion, and the intention to be the boss for themselves, which are 30 respondents, 26 respondents, and 23 respondents respectively. As for the motivations regarding their sustainability orientation, the highest motivation was to improve the quality of people (17 respondents), followed by to improve the highest economic profits (13 respondents), to maintain the sustainability of people, planet and gaining economic profits (4 respondents) and the last motivation is to be environmentally sustainable (3 respondents). By looking at this table, the previous argument on their sustainability orientation of Indonesian entrepreneurs was supported by the fact that the motivation to get the highest economic profits came in the second most selected motivation. Therefore, it can be concluded that there is a need to increase the number of sample for a better analysis and the sample could really represents the population

Table 5. Motivations of Entrepreneurship

Motivations	Yes
High product demand	17
To be own my boss	23
To increase my income	30
Just for fun	10
To provide jobs	22
Passion	26
To get the highest economic profits	13
To improve the quality of people	17

To be environmentally sustainable	3
To maintain the sustainability of people, planet and gaining economic profits	4

5. Conclusion, Limitation, and Future Study

Based on the previous discussion, it became apparent that most of Indonesian entrepreneurs were classified as social and eco entrepreneurship. However, their motivations showed a quite different trend that their second most selected motivation in being an entrepreneur was to get the highest economic profits. These results indicated inconsistency among the respondents in answering the questions and classifying themselves in the business. It was probably due to the lack of knowledge in sustainability concept and less practical action has been done. They seemed to struggle in defining their position in the business.

This study is once again needed bigger sample size and provide more distinguishing indicators to help the entrepreneurs in answering the questions. Besides, as statistical analysis could not explain much on the reasons why they prefer to be classified in such way, it is suggested to conduct interviews with the respondents.

For future study, adding more statistical analysis to see the correlation between the variables of entrepreneurship classification and motivations also supporting the results with qualitative approach would create a comprehensive in-depth study.

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