

# Entrepreneurial Development and its Learning Process: Evidence from Indonesia

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## Abstract

*The paper offers an understanding of the process of entrepreneurial learning that is critical to the development of entrepreneurs and entrepreneurship. The paper reveals the relationship between entrepreneurial learning process and the success of the business among small-scale entrepreneurs for selected learning types. The materials for analysis were obtained from a field work conducted in Surakarta, Indonesia by using a survey method. Four hundred and eighty-five 485 respondents were identified based on stratified random sampling for urban, suburban and rural areas. The total population identified was 1,040 small entrepreneurs. The reliability of the research instrument was 0.9, which is considered high. It was found that the types of learning, i.e., formal, non-formal and informal, had different effects on the learning process of small-scale entrepreneurs. Such findings are important to the development of the entrepreneurial learning and policy to improve the effectiveness of entrepreneurship development program.*

**Keywords:** Entrepreneurial learning process, entrepreneurial learning types, entrepreneurial development, Indonesia

## 1.0 Introduction

Many leading commentators and country leaders have recognized that entrepreneurship is among the key factors that distinguish between developed and underdeveloped countries (Minai, 2013). Minai emphasized that the entrepreneurial development processes have to be enhanced to increase the wealth of the developing and less developed countries. Minai and Lucky (2011) stressed the importance of small and medium-sized businesses in the development of any country. They emphasized that programs need to be implemented for smaller firms to make an impact on the nation's development.

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Wilson and Stupnyska (2007) identified that Indonesia is one of 11 developing countries with a higher growth potential for entrepreneurs to play vital roles in developing the country. Indonesia has been projected to be able to compete with the Canadian economy by the year 2032 and Japan by the year 2050 providing that it can overcome certain weaknesses and enhance entrepreneurial development. While this projection could be argued as being not realistic as other nations also keep on developing, the need to develop entrepreneurs and entrepreneurship programs is very much relevant. Time is a major concern, and by looking at the entrepreneurship development in many developing countries, there is much to be done. Ridwan (2013) argued that many Asian countries, including Indonesia, have a relatively small number of small and medium-sized businesses, and this is a disturbing fact.

Moreover, insights show that many developing countries like Indonesia have a low level of competitiveness. For example, the World Competitiveness Yearbook (WCY, 2007) reported that the level of competitiveness of small and medium businesses was at 3.86 points in Indonesia when compared to Thailand (4.66 points), Malaysia (5.22 points), Singapore (6.34 points), and Taiwan (7.78 points). The difference in the competitiveness level is more pronounced when compared to that of small and medium businesses in the United States (8.10 points).

Education and training have been identified as among the important factors that influence the ability of entrepreneurs (Reynolds et al., 2001; Schaper & Volery, 2004) and thus enhance the entrepreneurial development. Suryana (2003) suggested that the development of entrepreneurship among small and medium-sized businesses must be improved particularly in their learning process. This implies that understanding of the learning process, especially entrepreneurial learning, can improve the performance of small and medium entrepreneurs. To increase the effectiveness of learning development program for entrepreneurs, Gibb (2000) proposed changes to the process of entrepreneurial learning. Harkins (2004) suggested that major changes need to be made to the existing formal learning to prepare for successful entrepreneurs. In this regard, the insights revealed in this paper on the aspects of the learning process according to the learning types that affect the success of entrepreneurs, particularly among small-scale entrepreneurs, are important.

## **2.0 The Theoretical Foundation**

Many authors have suggested that learning orientation should be done according to the type of learning (formal, informal or non-formal) (Lumpkin & Dess, 2001; Wang, 2008). Wang (2008) suggested that the study of Lumpkin and Dess (2001) is incomplete because they failed to examine the relationship between learning orientation and entrepreneurial success. However, the study by Wang (2008) revealed that the

learning orientation did not moderate the relationship between the type of learning and entrepreneurial success. Therefore, a study that explores the relationship between aspects of the entrepreneurship learning process and entrepreneurial success as well as the moderating impact of learning types is important.

In examining entrepreneurial success, one needs to understand the perspective of success. Most models treat entrepreneurial success as a dependent variable. For example, McMullan et al. (2001) proposed the measure of success as being primarily economic and material. Theoretically, the measure of success includes the number of businesses started, sales revenue, business growth, the number of workers increases, financial resources, and business profitability (Law, 2013; Lucky, 2011). Lussier (1995) noted that studies of entrepreneurial success tended to be material oriented by considering sufficient capital, finance, business planning, industry types, having professional advisers, transport, formal education, number of employees, business circulation, marketing skills, number of coworkers, and descendants. However, Wickham (1998) proposed that success should measure economic, social, intellectual and spiritual dimensions. Thariq and Faishal (2004), in their study on non-material successes, concluded that success should not be measured from the abundance of wealth, not by popularity, and not by the number of descendants. Rather, it should be internal in nature and within the inner man of human being, something that cannot be seen by the physical eye, cannot be expressed with words, and cannot be bought with any property. Different studies can be differentiated between limited success which is material in nature and unlimited success which is non-material.

If the measure of entrepreneurial success among small entrepreneurs focuses only on the economic and material value, then the Indonesian National Development goals to create a more just and prosperous society both in the material and spiritual aspects are not likely to be achieved. In this paper, the success of small and medium entrepreneurs is measured by taking into account Indonesia's national development goals that include material and spiritual (non-material) success. Regarding entrepreneurial learning, three types of learning are viewed as interconnected and influencing each other through a holistic, sustainable learning process. The three types of learning are formal, informal and non-formal, which are interconnected and can influence entrepreneurial success.

In developing entrepreneurs, the process of successful learning should be the focus of attention (Rae & Carswell, 2000; Sudjana, 2004). Rae and Carswell (2000) suggested that the following matters must be given attention in the learning stage: self-confidence, self-motivation, high goal setting, the development of individual characteristics, the identification of capabilities related to skills and knowledge, entrepreneurs' social relationship, and the ability to learn quickly and effectively from a variety of sources. The proposal also implies that different types of learning have a different effect on entrepreneurial success.

In Indonesia, the process of entrepreneurial learning for small entrepreneurs has not yet taken into account the above issues. Therefore, it is important to examine the aspects of the learning process such as entrepreneurs' behaviors, entrepreneurs' ability, characteristics of entrepreneurs, social interaction of entrepreneurs, and entrepreneurs' experience and skill because these aspects have the possibility to add value to the development of entrepreneurs' potential to achieve success. However, a question arises as to what extent formal, informal and non-formal learning affects success in developing entrepreneurs.

### **3.0 Method**

The present study was quantitative in nature with the application of a survey technique. The quantitative approach was adopted due to the deductive philosophy, and surveys were carried out over a large number of individuals by using closed and structured questionnaires. Also, since this research deals with numerical results and requires the use of statistics, a quantitative research design was appropriate. In addition, this design was chosen because the data obtained from the research subjects were relatively large (Ministry of Cooperatives and Small-Medium Sized Entrepreneurs (MCSSE), 2012). Moreover, the use of survey method in this study allows for the use of correlation technique that is commonly used to describe the relationship between the variables, and it is also used to test the hypothesis (Hair et al., 2006).

The population of this research was small-sized entrepreneurs registered in the Surakarta District in the urban, suburban and rural areas around the region of Surakarta. The population consisted of 1,040 small entrepreneurs. Stratified random sampling was chosen because the population consisted of many layers with each layer having different characteristics. The sample size for this study was 486.

### **4.0 Results and Discussion**

The first hypothesis developed for this study was:  $H_{01}$ : Aspect of entrepreneurial learning process has no relationship with the perception of success in terms of material aspects for small business entrepreneurs. The result showed that the null hypothesis was rejected based on the value of the adjusted R-square of 0.111 and p-value of 0.000. The result indicated that 11.1 percent of the variance in entrepreneurship success can be significantly explained by the learning process. The result emphasizes that entrepreneurial learning process is related to the perception of the success of small businesses.

The second hypothesis tested was  $H_{02}$ : Entrepreneurial learning process has no relationship to the perception of success in terms of the material aspect for small

entrepreneurs. The result failed to reject the null hypothesis as indicated by the regression results presented in Table 2, which shows that the adjusted R-square was 0.1 at  $p = 0.431$ . This means that there is no relationship between entrepreneurial learning process and the perception of material success.

Table 1

*The relationship of learning process and entrepreneurial success*

Model Summary					
R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
.336	.113	.111	.53673	61.735	.000
Variable	Std. Error	Standardized Coefficients	t	Sig.	
		Beta			
(Constant)	.302		4.320	.000	
Learning process	.082	.336	7.857	.000	

Table 2

*Relationship of learning process with material success*

Model Summary					
R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
.036	.001	.001	.81366	.621	.431
Variable	Std. Error	Standardized Coefficients	t	Sig.	
		Beta			
(Constant)	.457		7.541	.000	
Learning process	.125	.036	.788	.431	

Hypothesis three stated that  $H_{03}$ : Entrepreneurial learning process aspect has no relationship to the perception of success in terms of non-material aspects for small business entrepreneurs. The result in Table 3 supported the alternative hypothesis and rejected the null hypothesis ( $H_0$ ) based on the adjusted R-square of .26 and p-value of 0.000. The result implies that the entrepreneurial learning process is related to the perception of non-material success.

Table 3

*Relationship of learning process with non-material success*

Model Summary					
R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
.517	.267	.265	.49817	176.190	.000
Variable		Standardized Coefficients		t	Sig.
	Std. Error		Beta		
(Constant)	.280			-.474	.636
Learning process	.076		.517	13.274	.000

The study also investigated the moderating effect of the types of learning on the relationship between the learning process and the perception of success ( $H_{04}$ : The types of learning (formal, informal and non-formal) have no moderating effect on the relationship between the learning process and the perception of success for small entrepreneurs). The result is shown in Table 4, which indicates the adjusted R-square of 0.47 and p-value of 0.000. The result supported the alternative hypothesis ( $H_1$ ) and rejected the null hypothesis ( $H_0$ ). It is concluded that the types of learning (formal, informal and non-formal) have moderating effects on the relationship between the learning process and the perception of success for small entrepreneurs.

Table 4

*Moderating effects of learning types on the relationship between learning process and perception of success*

Model Summary					
R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
.689	.474	.472	.41373	217.745	.000
Variables			Standardized Coefficients	t	Sig.
	Std. Error		Beta		
(Constant)	.262			-3.470	.001
Learning Process	.064		.274	8.259	.000
Learning Types	.038		.604	18.210	.000
Process x Types	.052		.428	9.366	.000

The fifth hypothesis tested was:  $H_{05}$ : Types of learning (formal, informal and non-formal) have no moderating effect on the relationship of learning process with the perception of success in terms of material aspects for small entrepreneurs. The result shown in Table 5 also supported the alternative hypothesis ( $H_1$ ) and rejected the null hypothesis ( $H_0$ ). This indicates that the types of learning (formal, informal and non-formal) had moderating effects on the relationship between the learning process and the perception of material success (adjusted R-square = .623,  $p = 0.000$ ).

Table 5

*Moderating effects of learning types on the relationship between learning process and perception of material success*

Model Summary					
R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
.790	.624	.623	.49971	400.920	.000
Variables	Standardized Coefficients		t	Sig.	
	Std. Error	Beta			
(Constant)	.317		-2.225	.027	
Learning Process	.077	.046	-1.643	.101	
Learning Types	.046	.793	28.288	.000	
Process x Types	.062	.338	3.376	.001	

Table 6

*The moderating effects of learning types on the relationship between learning process and perception of non-material success*

Model Summary					
R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
.572	.327	.324	.47790	117.183	.000
Variables	Standardized Coefficients		t	Sig.	
	Std. Error	Beta			
(Constant)	.303		-3.473	.001	
Learning Process	.074	.491	13.086	.000	
Learning Types	.044	.246	6.551	.000	
Process x Types	.066	.365	9.995	.000	

The last hypothesis tested was:  $H_{06}$ : Types of learning (formal, informal and non-formal) have no moderating effect on the relationship between the learning process and the perception of success in terms of non-material aspects for small entrepreneurs. The result shown in Table 6 indicates that the null hypothesis was rejected (adjusted R-square = 0.324,  $p = 0.000$ ). The result suggests that the types of learning (formal, informal and non-formal) had moderating effects on the relationship between the learning process and the perception of non-material success.

## **5.0 Conclusion and Recommendations**

This section presents two key findings derived from this study. First, the entrepreneurial learning process is related to the perception of success of small entrepreneurs. However, while the learning process is not related to the perception of material success, it is associated with non-material success. Second, the types of learning (formal and non-formal, including informal) have a moderating effect on the relationship between the learning process and the perception of success both in terms of material and non-material success. However, the three types of learning (formal and non-formal, including informal), the moderating effect was the highest on the relationship between the learning process and the perception of material success.

Based on the findings, it is recommended that entrepreneurs learn the in and out of entrepreneurship using different learning methods, such as formal, non-formal and informal learning, to be successful. Moreover, small entrepreneurs should continue developing their skills themselves through a variety of learning methods to achieve entrepreneurial success. The findings are also useful for policymakers in the Government of Surakarta, Indonesia. It is recommended that the local government should formulate policies to encourage and promote learning via the use of various learning methods among entrepreneurs to nurture successful entrepreneurs in Indonesia, particularly in the Surakarta District. The Surakarta District Government should create sustainable programs to increase entrepreneurs' knowledge and skills through a variety of formal, non-formal and informal learning to develop entrepreneurship.

While our findings suggest that the learning process is affected by the learning types or styles, previous works demonstrated the superiority of certain types of learning style, for example, the formal learning style compared to the informal and non-formal learning styles, in affecting entrepreneurial success in other countries. However, in some developed countries such as the US and the UK different learning styles are used. Thus, for developing countries that are similar to Indonesia, the emphasis should be on the formal, informal and nonformal learning types so that the learning process can lead to the success of small entrepreneurs.

Finally, it is recommended that more variables should be considered in future research. In this study, only two variables were used, i.e., entrepreneurial learning process and



type of learning. Future research needs to focus specifically on each type of learning in entrepreneurship development.

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