Does Strategic Entrepreneurship Matter? Evidence From The Non-Formal English Education Industry In Indonesia

Respati Wulandari, Tirta Nugraha Mursitama, Boto Simatupang, Sri Bramantoro Abdinagoro

Abstract: This study examines the important role of strategic entrepreneurship for small firms to gain its competitive advantages in the non-formal English education business industry or English courses in Indonesia. The harsh competition among English course providers and the existence of national plus and international schools have become challenges for the courses to attract students. We use both qualitative and quantitative methods to uncover and respond to the problems faced by this industry. We did interviews with some managers and utilized questionnaires of 61 English courses in DKI Jakarta. Using SMART-PLS (Partial Least Square), we found that the essential entrepreneurial factors of leadership, mindset and entrepreneurial culture as a whole were capable of generating and developing innovations within the English courses, which led to competitive advantages. However, we found an interesting fact that entrepreneurial culture had no direct significant effect on innovations. The novelty of this study is to contribute a new finding that the three elements of strategic entrepreneurship contributed differently to innovation in the context of emerging economies.

Keywords: Entrepreneurial Leadership, Entrepreneurial Mindset, Entrepreneurial Culture, Innovation, English Courses in DKI Jakarta.

INTRODUCTION

A strategic entrepreneurial approach is suitable for small and large firms (Papulova & Papulova, 2006). As a developing country, Indonesia is in a great need for English speakers. While some English courses are growing and thriving, some went out of business. Innovation is the key to develop these courses. This study examined the entrepreneurial nature of managers in the non-formal education business industry of English language or English course institutions and how they managed their business by developing and creating innovations. Some research suggests that to face the uncertain global situation, firms must adopt a strategic entrepreneurial approach to achieve competitive advantages (McGrath & MacMillan, 2000, Morris, Kuratko, & Covin, 2008, cited in Ireland et al., 2009, p 19). Do managers apply this strategic entrepreneurship in order to create innovations? Can competitive advantages be achieved through a strategic entrepreneurial approach? A newspaper article in The Jakarta Post (2015) states that English is compulsory in bilingual educational institutions. In addition, in the working world and this era of globalization, there is an absolute and high demand of English proficiency. This situation has driven the establishment of high-level English language institutions, which will help benefit students in their respective fields (Sungkar, 2011). The increasing number of students, college students and workers who need the mastery of English language will drive the establishment of non-formal English educational institutions in the future. Non-formal educational institutions will enter the world of business and competition. Therefore, innovations in the management of non-formal English educational institutions are needed.

In Indonesia, non-formal English educational institutions were initially established in Jakarta. The targeted market of their program and curriculum was college students and workers. Since the year of 2000, however, along with the application of the English education curriculum in elementary and secondary schools, non-formal English educational institutions have placed primary and secondary school students as their target groups. These educational institutions have flourished and became more innovative by offering exciting programs to meet the needs of market share such as English for hospitality, English for tourism, business English, TOEFL and IELTS, translation, as well as financial business and corporation. A growing demand for English language proficiency among students, college students and workers becomes a business opportunity for the non-formal education industry of English language. The business industry of non-formal English language education was influenced by macro economic factors. This was shown during the economic crisis of 1997-1998. The crisis forced many players in non-formal English language institutions to go out of business due to their suffering financial condition. To deal with this, the non-formal English educational institutions shortened the learning time to cut budget and reduce the incurred costs. Despite the economic crisis that hit all areas, the demand for mastery of English language remained high. Players in non-formal English education industry still saw it as a great opportunity they could not miss. To respond to market needs and to attract more students, these educational institutions created some innovations, which were based on existing opportunities and challenges. Innovations were actively pushed by each manager or head of these institutions. A lot of research in various fields has been conducted, collected, processed and analyzed. However, research on the business industry of non-formal English education in the perspective of strategic entrepreneurship is very limited. Research on the education industry is very significant and relevant, given the importance and high demands of the mastery of English, as well as the importance of the role of managers or leaders of institutions to innovate. From the exposition of the exploratory study object in this research, we found some key factors of entrepreneurship: leadership, innovation, and competitive advantage. Managers argued that
entrepreneurial factors were important and essential to run the non-formal English education industry. A study conducted by Ireland et al. (2003) describes strategic entrepreneurship as one way to gain competitive advantages, which are supported by creativity and innovation. Company innovation is realized with the ability of its managers to manage resources, which is supported by entrepreneurial leadership, entrepreneurial culture, and entrepreneurial mindset. These three variables are the essence of entrepreneurship. This Ireland study (2003) is a conceptual study, not a result of an empirical study. Therefore, there is an opportunity to conduct empirical research in the non-formal English education industry. To get sustainable competitive advantages, innovation testing is required based on entrepreneurial leadership, culture, and thinking. There have been 79 studies on leadership, culture, entrepreneurial mindset, innovation, and competitive advantage from the standpoint of strategic management and entrepreneurial study. Most of them are conceptual studies. There are no empirical studies that have examined the effect of all these variables in one study. Some existing research only tested 2 variables. However, there is still a lack of research on that particular study and the results, which are related to the application and determination of strategic entrepreneurial dimensions, are also ambiguous. Furthermore, none of them has been implemented in the non-formal English education industry. Therefore, it is theoretically and practically relevant to conduct research on entrepreneurial leadership, culture and thinking towards innovation to gain competitive advantages.

**LITERATURE REVIEW**

Strategic Entrepreneurship, Entrepreneurial Culture, Entrepreneurial mindset, Innovation and Competitive Advantage

The study of entrepreneurship in a company is always interesting, challenging and necessary (Tokuda, 2005), especially from the standpoint of strategic management in small and medium enterprises. Some studies on entrepreneurship, especially strategic entrepreneurship (Ireland et al, 2003), include entrepreneurial leadership (Covin & Slevin, 2002 cited in Ireland et al, 2003, p 971); Entrepreneurial culture (Ireland et al., 2003) and entrepreneurial mindset. A strategic entrepreneurial approach is suitable for small and large firms and it incorporates rational and intuitive-creative elements (Papulova and Papulova, 2006). Ireland et al. (2003) argues that strategic entrepreneurship is the company's way of improving superior performance by seeking opportunities and profits at the same time. Venkataraman and Sarsvathy (2001), cited by Kraus and Kauranen (2009) p 41, came up with a metaphor based on Shakespeare's Romeo and Juliet: "strategic management research without an entrepreneurial perspective is like a balcony without Romeo, and entrepreneurial research without a strategic perspective is like Romeo without a balcony." Entrepreneurial leadership is the ability to influence others and strategically manage resources in order to get opportunities and benefits (Covin & Slevin, 2002 cited in Ireland et al, 2003, p 971). According to Lee and Venkataraman (2006) cited in Hejazi, Maleki, & Naeiji, 2012 p 71, entrepreneurial leadership is a dynamic process to deliver visions and make commitments among employees. With visions, a leader can take risks when he is faced with opportunities. Educational institutions, which have given birth to managers or leaders, haven’t sharpened their leadership skills in a complex environment (Toor & Ofuri, 2008). Meanwhile, a commitment to seek opportunities and profits requires an effective entrepreneurial culture. According to Ireland et al (2003), this culture is a culture that accepts new ideas and creativity, encourages risk-taking, tolerates failure, encourages learning, focuses on products, processes and administrative innovations, and sees changes as an opportunity. However, entrepreneurial culture is also heavily influenced by business owners who are, in certain circumstances, role models for managers and other employees. Managers mimicked the way business owners worked, thought and made decisions in course institutions (interview, 5 September 2015). Having an entrepreneurial mindset is essential to successfully implement strategic entrepreneurship. An entrepreneurial mindset is a mindset embedded in a person's mind to recognize opportunities that others do not see. This mindset helps a company to face a very dynamic and uncertain situation, and then gain some benefits from it. It is also important for individual entrepreneurs, managers and employees to think and act entrepreneurially in order to build companies (Covin & Slevin, 2002 cited in Ireland et al., 2003, p 967 ). Based on McGrath and MacMillan's (2000) statement in Ireland et al. (2003) p 968, entrepreneurial mindset is a business-related perspective or way of thinking that focuses on and gains the benefits from an uncertain condition and situation. Therefore, an entrepreneurial mindset contributes to competitive advantages (Miles, Heppard, Miles & Snow, 2002 cited in Ireland et al, 2003, p 968). Entrepreneurship is often associated with innovation, which in turn produces competitive advantages. "Innovation is the key to the future of a company" (Von Stamm, 2009). Managers or leaders should believe it with all their heart. Instead of just thinking or talking about it, they have to make it happen. As Antoine de Saint-Exupery (1900-1949) puts it (Von Stamm 2009), in his book The Little Prince, "If you want to build a ship, don't drum up the men to gather wood, divide the work, and give orders. Instead, teach them to yearn for the vast and endless sea." Innovation is related to the performance of success for a company, both in industrial and service sectors (Klude, Meffert & Stein, 2000). In 1997, Christensen (cited in Ireland et al., 2003, p 981) stated that there were at least two types of innovation a company might have; disruptive innovation and sustaining innovation. An entrepreneurial leader performs both disruptive and sustaining innovations. Porter (1985) stated that to achieve competitive advantages, a company looked for the best fit between its capabilities and market opportunities. Competitive advantages could be maintained in various ways. In the context of this study, managers who possess strong entrepreneurial leadership characteristics, understand and support entrepreneurial culture and entrepreneurial mindset, are important and valuable assets for a company. This is in line with the Resource-based View (RBV) perspective (Barney, 1991; Kong & Prior (2009), cited in Williams (2014) p 8 that organizational resources are vital elements for all types of companies, higher education, and universities. Study by Saleh, Metalisa
& Mukhlishah (2016) showed that entrepreneurship has a highly positive significant correlation to empower the economy of poor people and we believe this study will contribute positive result to managers. This study examined entrepreneurial skills of managers in non-formal English educational institutions. Managers were selected as research subjects because they were the leaders who ran their daily business or non-formal English education business. This study discussed the concept of strategic entrepreneurship capability by positioning managers or business leaders as important assets in the development and creation of innovations, in the non-formal education industry of English language. The contribution of this research is to complement the strength of the Resource-based View (RBV) theory combined with the entrepreneurial ability of managers or business leaders of the non-formal English language industry in Indonesia, which is one of emerging economies with a very dynamic business environment.

Entrepreneurial Mindset and Entrepreneurial Culture. A study conducted by Ireland et al. (2003) stated that mindset had an influence on entrepreneurial leadership. His research model (2003) can be applied to any business sectors. Other studies related to entrepreneurial mindset were also carried out by Gesthuizen, Meer, & Scheepers (2008), which stated that there was a relation between an entrepreneurial mindset with the performance of information and communication technology firms. Findings of Dover and Dierk (2012), who conducted research using MEL Triangle (manager-entrepreneur-leader) is also, stated the same thing. Their research studied the entrepreneurial mindset in personal managers, entrepreneurs and corporate leaders. This study also uses the MEL Triangle, but the difference lies in the merging of these three personal characters into a single person, a manager who is also as an entrepreneur and a leader. Yang (2008) study, which was used as the basis of this first hypothesis, stated that there was a correlation between entrepreneurship orientation and transformational leadership in business performance of small and medium enterprises in Taiwan. This study didn’t specifically analyze entrepreneurial mindset, of which elements existed in an entrepreneurial orientation, and it didn’t examine an entrepreneurial leadership, either. It examined transformational leadership, instead. In addition, research related to mindset and entrepreneurial leadership was also performed by Roomi and Harison (2011). Their research studied the teaching of entrepreneurial leadership and the entrepreneurial mindset of educators. However, despite the empirical nature of this study, no impact tests were conducted on the dimensions of the two variables.

Entrepreneurial Culture and Entrepreneurial Leadership: Previous studies were conducted by Yildiz (2014), Montaque et al. (2014), Al Mazrouie and Pech (2015). Other study by Caesar, L.A.Y (2016) showed there is a relation between transformational leadership with collectivist culture. Their research focused on organizational culture and leadership style, not specific to entrepreneurial culture and entrepreneurial leadership.

Entrepreneurial Mindset and Innovation Strategy: The conceptual study of Ireland et al. (2003) showed a relation between entrepreneurial mindset and innovation.

Entrepreneurial Culture and Innovation Strategy: Research from Petrou and Daskalopoulou (2015) showed that innovation activities were positively influenced by managers or business owners who had an entrepreneurial culture. This research added a social capital to the hypothesis tested. Previous studies that served as the basis for this hypothesis were Yildiz’s empirical research (2014). This empirical study showed the important and strategic meaning of an organizational culture by showing the evidence and relation between cultural dimension and corporate entrepreneurship, one of which was innovation. The next research is the one conducted by Von Stamm (2009). This conceptual research explained that in order to apply an innovation, leaders had to act and actually do what they say. In other words, Von Stamm’s research suggests that in order to create innovations we need to have a strong organizational culture among the leaders of a company.

Entrepreneurial Leadership and Innovation Strategy: Suyitno et al. (2014) argued that entrepreneurial leadership could encourage innovations in vocational schools. Pihie et al. (2014) in his research also showed a principal's positive influence on innovation through teachers' perspective. Research conducted by Park (2015) also showed that entrepreneurial leaders encouraged innovation. Their research covered entrepreneurial leadership in various sectors, but had little to say about its effect on innovation development, especially on non-formal English educational institutions.

Innovation Strategy and Competitive Advantage: Research of Mary M. Crossan and Marina Apaydin (2010) didn’t test the innovation areas in all sectors, especially the non-formal education sector. Research in the area of innovation which creates competitive advantages is mostly conducted in the manufacturing sector. Some previous studies which addressed innovation and competitive advantage were Populova and Populova (2006), Dirisu et al. (2013), Iplik et al. (2014).

MATERIALS AND METHODS
This research used a mixed method, a combination of qualitative and quantitative methods. The qualitative method was conducted through observations and interviews. We interviewed some managers of English courses, 100 course participants and the head of the industry association. The data collection was conducted from January 2014 to January 2017. An Exploratory study through interviews with 20 managers was conducted from early 2014 to December 2015. This activity was used to deepen the knowledge of business condition in English language course industry. The respondents of the quantitative study came from 61 courses from 68 courses listed on www.infokursus.net the official website of the Directorate of Non-Formal Education, Ministry of Education of the Republic of Indonesia. The selected courses were those with NILEK (Course Registration Number) and which were on business during the questionnaire distribution from May to July 2016. After processing the questionnaire data
from 61 course managers, we conducted triangulation through another interview with the managers to deepen the analysis of the answers we collected. We used Smart.PLS to process the questionnaires which had been filled out by the managers.

RESULTS AND DISCUSSION
This research tested 6 hypotheses to answer the research questions. The research questions were based on our exploratory study, which used some essential variables of entrepreneurship.

Respondents’ Profiles. The study was conducted in 61 courses. Most of the managers, 37 of them, served their courses for 1 to 5 years. Most of them, 42 managers, had bachelor degrees. Based on gender, there were 32 female managers. Thirty-six managers were 36 years old or older.

The Results of Outer and Inner Models. Based on the result, the loading factor and AVE are valid (Ghozali & Latan, 2015). The value of Composite reliability and Cronbach Alpha is above 0.6. Therefore, it can be concluded that this value is reliable. The value of R-Squares, which is a result of overall or combined data, is above 0.33.

<table>
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<th>Variable</th>
<th>AVE</th>
<th>Composite Reliability</th>
<th>Cronbach’s α</th>
<th>R²</th>
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<tr>
<td>Entrepreneurial Culture</td>
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<td>Competitive Advantage</td>
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<td>0.724</td>
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This section describes the test results of the six hypotheses of this study, which can be seen from Figure 2 above.

H1: Entrepreneurial mindset is positively significant to entrepreneurial leadership
The first hypothesis supports the argument of some previous research and complements it. The following is the interview on entrepreneurial mindset which affects entrepreneurial leadership. It strengthens the arguments of the hypothesis test results:

“As a manager, I should be able to think further to find opportunities especially about products because repositioning and being different are very important.” (BD, interviewed on 12 October 2016)

“My entrepreneurial mindset is an innovative and creative mindset. I like to find new ideas and improve the existing ones, while looking for potential opportunities to grow and expand our business.” (S, interviewed on 10 October 2016)

H2: Entrepreneurial culture is positively significant to entrepreneurial leadership
The discovery of this second hypothesis is unique, as it is only in this study that entrepreneurial culture is tested for its influence on entrepreneurial leadership and is shown to have a significant influence on it. Some studies were case and empirical studies. Their research was conducted on various business sectors. Although the research was done empirically, it didn’t statistically prove the effect of entrepreneurial culture and leadership. This provided a novelty to previous studies that examined leadership in organizational cultures. The Conceptual Study of Ireland et al. (2003) stated that there was a link between entrepreneurial culture and entrepreneurial leadership. However, on their model of study, entrepreneurial culture and entrepreneurial leadership were in the same region. Our study separated the two variables and obtained a significant influence. The dimensions used to measure entrepreneurial cultural variables were derived from the study of Ireland et al. (2003) which consisted of accepting
new ideas and creativity, encouraging risk-taking, tolerating failure, encouraging learning, and observing environmental changes. Here, we added a new dimension adapted from the previous dimensions: the influence of business owners. The following is the interview on the managers’ entrepreneurial culture, which led to entrepreneurial leadership. It strengthens the argument of the hypothesis test results:

“As a Principal, I do receive input from all staff and teachers here at xxx to improve xxx in the future. The culture that I maintain to build xxx consists of regular innovations for the sake of the sustainability of the course.” (AK, interviewed on 7 October 2016)

“An entrepreneur must have a creative and innovative ability to find and come up with ideas. In my opinion, entrepreneurs’ thoughts and steps are not only about business, but also about to achieve customers’ and their own satisfaction for the sake of goals. It should be applied in the society.” (AS, interviewed on 10 October 2016)

“I also have a vice principle in my English course whom I often consult. Owners or headquarters give us the freedom to develop our own entrepreneurial culture in each course.” (T, interviewed on 6 October 2016)

H3: Entrepreneurial mindset is positively significant to innovation strategy
The third hypothesis in this study is quite new. To our knowledge, there hasn’t been any empirical test for these two variables. This study demonstrates the significant influence of entrepreneurial mindset on innovation strategies that are tested directly, without going through entrepreneurial leadership variables. This supports the conceptual study of Ireland et al. (2003) which showed a relation between entrepreneurial mindset and innovation. The following is the interview on the managers’ entrepreneurial mindset that influenced their institutional innovations. It strengthens the argument of the hypothesis test results:

"I'm used to looking for innovation by looking at/discussing with other English courses in order to catch some opportunities which other courses don't have/don’t see. Since the headquarter only focuses on revenues, it gives each branch's principle a freedom to innovate and hit the revenue target. I am free to explore areas that are considered potential to increase revenues.” (AP, interviewed on 11 October 2016)

"As I told you, we collaborate with others. So I observe what will possibly make xxx become more attractive. That’s why we have a collaboration with Seven Eleven and McDonald’s. I try to realize an innovation, then if the result is good and the owner is happy with it, it means it will be continued.” (FI, interviewed on 8 October 2016)

“Usually if I have an idea, I am allowed to prove the idea first. Because the idea comes from the xxx branch here.” (Z, interviewed on 8 October 2016)

H4: Entrepreneurial culture is positively insignificant to innovation strategy
The fourth hypothesis of this study states that the significance of entrepreneurial culture to innovation strategies is not proven. Both of these variables were tested directly without going through entrepreneurial leadership. Although the result states that entrepreneurial culture is insignificant, this research model supports Petrou and Daskalopoulou’s argument (2015). The result of entrepreneurial culture on innovation strategy hypothesis is not proven directly. It needs to be done through managers or leaders, instead. Therefore, we can conclude that this research model supports Von Stamm’s argument. Although the result of our study is incompatible with Yildiz’s, the result of this fourth hypothesis brings its own novelty. It is the fact that entrepreneurial culture was tested on innovations by presenting the dimensions of both variables. The following is the interview on the entrepreneurial culture of the managers which had no effect on innovations. It strengthens the argument of the hypothesis test results:

“Although it is considered to have reached the maximum, entrepreneurial culture remains more limited if we compare it with a course with non-franchise system, because the influence of the owner is still strong. It is still difficult to invest in innovation since it's controlled by the headquarter. However, it's still possible to suggest an idea for innovation.” (A, interviewed on 9 October 2016)

“Actually, the headquarter gives us limited freedom to come up with innovations. Usually we just give some evidence..” (TK, interviewed on 6 October 2016)

“The truth is, if the head office is more open to accept new ideas and encourage risk-taking, it might be better because we're the ones who work in the field so we have a better understanding about what should be done.” (NU, interviewed on 10 October 2016)

H5: Entrepreneurial leadership is positively significant to innovation strategy
Entrepreneurial leadership has a significant effect on innovation strategy. The results of this hypothesis give novelty and completeness to the previous studies, which focused more on the discussion of entrepreneurial leadership. The following is the interview result on the entrepreneurial leadership of the managers which had an impact on their courses’ innovation. It strengthens the argument of the hypothesis test results:

"It's important because the leader's spirit, enthusiasm and direction will encourage all of the team members to confidently discover and apply new ideas, as well as support them to creatively explore opportunities and improve the existing ones. Leaders who are open to changes and have a great sense of curiosity also play a role in lifting up the team's spirit and creating some innovations in the company.” (S, interviewed on 10 October 2016)

“I treat everyone, including the staff and the students, like one big family.” (FI, interviewed on 8 October 2016)
H6: Innovation strategy is positively significant to competitive advantage

The sixth hypothesis of this study is about the influence of innovation strategy on competitive advantages. This study complements previous research. Therefore, this research adds a variety to innovation research to achieve competitive advantages. Many studies have examined the impact of innovation on competitive advantages in various business sectors, but only this study has examined the innovation and competitive advantages in the non-formal English education business sector. Based on this result, managers do apply strategic entrepreneurship to achieve competitive advantage through innovation in this industry. This is a way for English courses providers to be able to sustain and grow in unpredictable environment.

Research Implication. This research contributes in the realm of Resource-Based View and Strategic Entrepreneurship by showing that managers with entrepreneurial capability are important assets who are capable of creating some competitive advantages in their organization due to the innovation they bring. Entrepreneurial culture must be supported by entrepreneurial leadership to realize innovations and achieve competitive advantages. These results show a contradiction to the conceptual model made by Ireland et al. (2003), where the conceptual model was described as a unity between leadership and entrepreneurial culture. This study separated those two variables and tested each of them against innovation strategy. It was evident that entrepreneurial culture had no direct effect on innovation strategy. Entrepreneurial leadership was needed to create an impact in the creation of innovation. Apart from the novelty and completeness from the academic side, the results of this model have not been applied on the research used as references here in this research. Previous research only tested some partially-constructed hypotheses and not all of them were empirically tested. In addition, the contribution of this research is to build models with new hypotheses and specifically-tailored indicators for the industry. Practically, this model can be applied by managers and business owners of English language courses, by considering entrepreneurial culture so that innovation will continue to blossom.

CONCLUSION

This research model has successfully shown that using the non-formal English education business, the three entrepreneurial essences have contributed to innovation and led to competitive advantage, but entrepreneurial culture has no effect on innovation strategy directly. It needs entrepreneurial leadership to accomplish innovation. In the future, we suggest that research on entrepreneurship with the object of the non-formal education industry should add the dimensions or indicators of entrepreneurial culture that derived from family and community factors. In addition, risk-taking should be considered to bring some novelty in future research.

REFERENCES


