

Increasing Entrepreneurship through Strengthening Innovative and Organizational Culture

Nanda Hidayati¹, Didik Notosudjono^{2*}, Widodo Sunaryo³

Abstract

This study aims to analyze the relationship between student entrepreneurship and the variables of innovativeness and organizational culture. This study uses a quantitative survey method. Questionnaires were distributed via the Google Form application and the WhatsApp group. The research was conducted from October 2022 - February 2023 with 100 respondents from small business group MSME operational managers in Bogor Regency. Proportional random sampling techniques and using the Solvin formula were used in data collection. Data analysis techniques in quantitative research use structural equation models (SEM) and statistical software SmartPLS 3.2.9. The research results show a significant influence and positive trend between innovative variables and organizational culture on entrepreneurship. The practical implication of this research is that to increase entrepreneurship, it must increase the creative variables and corporate culture.

Keywords: *Entrepreneurship, Innovativeness, Organizational Culture.*

INTRODUCTION

The development of MSMEs (Micro, Small, and Medium Enterprises) in Indonesia has been relatively rapid in recent years. According to data from the Ministry of Cooperatives and SMEs, in 2020, there will be around 64.2 million units of micro, small, and medium enterprises operating in Indonesia (Hasibuan et al., 2022). This number increased by approximately 2.02% compared to the previous year. Nonetheless, MSMEs in Indonesia still face various obstacles, such as limited access to capital and markets, technology and information, and regulatory issues. The Indonesian government has taken multiple steps to strengthen the MSME sector through training programs, providing access to finance, and market development (Bouarir et al., 2023).

Bogor Regency has great potential in the MSME sector. Based on data from the Bogor Regency Office of Cooperatives and SMEs, in 2020 there will be around 91,000 micro, small and medium enterprises (MSMEs) in Bogor Regency, with a workforce of around 216,000 people. MSMEs in Bogor aRegency are spread across various sectors, such as trade, services, agriculture, and industry. Some of the superior products from UMKM in Bogor Regency include handicrafts, food and beverages, fashion, and agricultural products such as vegetables and fruits. The Bogor Regency Government has made various efforts to support MSMEs, including through training programs and business assistance, financing, market development, and facilitating access to technology and innovation. In addition, the government is also developing MSME centers in various

¹ Post Graduate Program, Universitas Pakuan, Indonesia, nanda.assalaam@gmail.com

² Universitas Pakuan, Indonesia, dnotosudjono@gmail.com

³ Universitas Pakuan, Indonesia, widodosunaryo20@gmail.com

areas in Bogor Regency, such as the Small Industry Center in Cibinong, the Batik Industry Center in Ciawi, and the Creative Industry Center in Ciampea. Appropriate support from the government and the community is expected to continue to strengthen the MSME sector in Bogor Regency so that it can make a greater contribution to regional and national economic development (Sari et al., 2023).

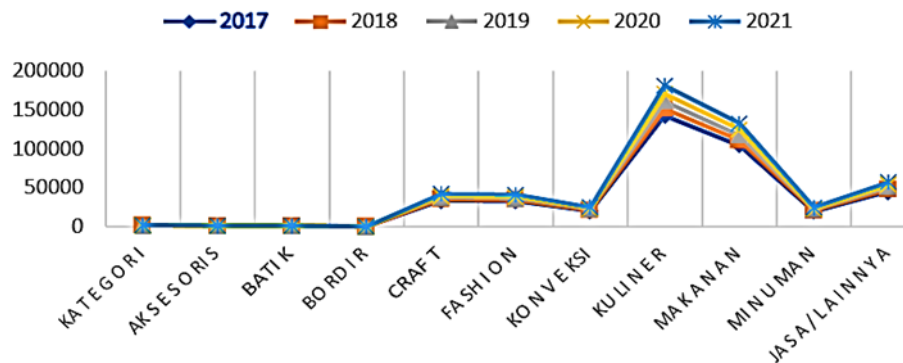


Figure 1. Number of SMEs in Bogor Regency by Category

Source: (<https://opendata.jabarprov.go.id/en/dataset/quantity-enterprise-micro-small-medium-umkm-berdasarkan-kabupatenkota-dan-kode-usaha-di-jawa-barat>, n.d.)

Figure 1 above, shows the development of MSMEs which continues to increase from 2017 to 2021 where there are 10 (ten) categories, namely accessories, batik, borders, craft, fashion, convection, culinary, food, beverages, and services. In these ten categories, culinary and food are very dominant.

Entrepreneurship is an emerging individual characteristic in which employees innovate, proactively seek opportunities for their organizations, and independently use innovative resources starting with the exploration of ideas and continuing through opportunity evaluation and recognition to start (Zahoor et al., 2023)(Yang et al., 2022). Based on this understanding, entrepreneurship has dimensions, namely creativity, the ability to produce new, high-quality ideas that meet needs, self-efficacy, the belief that someone can successfully carry out tasks, goal setting, how individuals set goals, internal locus of control, control over the goals to be achieved. , self-directed and self-employed, Wanting to capitalize on their own business, ability to develop a business with their abilities, wanting to own their own business, desire to gain the freedom to manage their own business, high energy level, work hard & be able to expend great effort to success, High Need for Achievement, motivated to achieve challenging goals, and crave feedback, self-confidence, competent, have self-confidence, and dare to make decisions in entrepreneurship and flexibility, able to face problems and immediately change actions if plans are implemented will not bring results (Ernanda et al., 2023)(Akter & Iqbal, 2022)

Innovativeness is a level/level of activity to create new ideas and implement them into new products/services that have practical uses so that they can be widely accepted. (Barsyte & Fennis, 2023)(Torricco et al., 2023). Based on this understanding, the dimensions and indicators of innovativeness are product innovation with indicators of creating new products and updating existing products, service innovation with indicators of improving the quality of service facilities and utilization of information technology, and process innovation with indicators of updating work plans and developing work methods. organizational innovation with indicators of improving work procedures and entrepreneurial competence.(Li et al., 2023)(Junaedi et al., 2021)

Organizational culture is a set of values, principles, and traditions that are shared by all members of the organization, thereby creating a strong bond between them and providing a different identity compared to other organizations. With a strong organizational culture,

members of the organization feel like one family and a unique atmosphere is created.(Willard-Grace et al., 2023)(Amri & Mz, 2023). Based on this definition, organizational culture includes several dimensions, namely innovation and risk-taking which refer to the extent to which employees are encouraged to innovate and take risks, attention to detail which refers to the extent to which employees are expected to demonstrate accuracy, analysis, and thoroughness, result orientation focuses on results rather than techniques and culture, interpersonal communication, personality, and work skills used to achieve those results, people-orientation which considers the impact of work results on people in the organization, team orientation which refers to the extent to which work activities are structured on a team basis rather than individual, aggressiveness which refers to the extent to which people tend to be aggressive and competitive rather than relaxed, and stability which refers to the extent to which organizational activities emphasize the importance of maintaining organizational stability.(Wijayaningsih et al., 2023)(Rass et al., 2023)(Widarko & Anwarodin, 2022)

There are several possible factors related to the low entrepreneurship of small business group MSME operational managers in Bogor Regency such as innovativeness, organizational culture, job satisfaction, emotional intelligence, creativity, servant leadership, and so on. To research and observe entrepreneurship, researchers consider innovative variables and organizational culture to be interesting for further study.

METHOD

The data in this study were obtained through the use of a questionnaire in the form of a Likert scale, which was packaged in the form of a Google form and distributed via the WhatsApp Group. The research method used is a quantitative research using survey methods. The research was conducted from October 2022 to February 2023 involving 100 respondents who were operational managers of the MSME small business group in Bogor Regency. The sampling technique used is proportional random sampling using the Slovin formula.

Validity test

In this study, the validity of the questionnaire items was tested using a validity test, which measures the level of accuracy and precision of each item (Wardhani, R. A., Arkeman, Y., & Ermawati, W. J. (2023). To determine whether the items in the questionnaire are valid or not, a correlation coefficient test was performed with a significance value of 0.05. An indicator is considered valid if its value is significant at the 0.05 level ($\alpha=5\%$). The variables measured in this study include innovativeness, organizational culture, and entrepreneurship.

Reliability Test

Reliability test is a measuring instrument that is used as a variable/construct indicator (Purwanto, Asbari, & Santoso, 2020). The reliability coefficient is considered good if the Cronbach's Alpha value is > 0.6 , indicating that the measuring instrument is reliable.

The research framework is described in the research scheme in Figure 2. There are several hypotheses formulated based on the framework, including: (a) innovativeness has a positive and significant influence on entrepreneurship; and (b) organizational culture has a positive and significant influence on entrepreneurship.

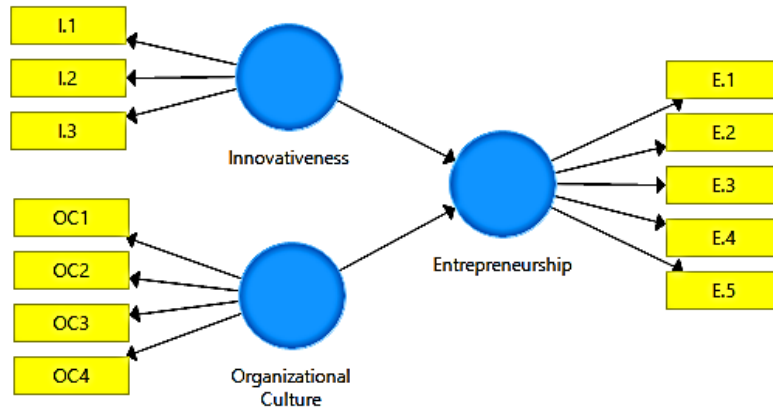


Figure 2. Research Framework

RESULTS

Validity test

To measure the validity of the questionnaire, a Validity Test is used which can measure the level of accuracy and precision of each item in the questionnaire. This validity test was used in this study to test the validity of each questionnaire item. To determine the validity of each item in the questionnaire, a significant correlation coefficient test was carried out with a significant value of 0.05. An indicator is considered valid if its significance value is 0.05 ($\alpha = 5\%$). In this study, the variables measured included innovativeness, organizational culture, and entrepreneurship.

Reliability Test

The questionnaire measuring instrument requires a reliability test to ensure its reliability as a construct variable/indicator (Purwanto, Asbari, & Hadi, 2020). In the reliability test, Cronbach's Alpha coefficient which is > 0.6 indicates that the measuring instrument is reliable or reliable.

Table 1. Reliability Testing

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Innovativeness	0.898	0.899	0.936	0.831
Entrepreneurship_	0.915	0.925	0.936	0.747
Organizational Culture	0.874	0.943	0.911	0.719

It can be concluded from Table 1 that the AVE (Average Variance Extracted) value of each construct is greater than 0.50, indicating that there is no problem with convergent validity in the model tested. In addition, Figure 3 shows that all loading factors have values above 0.60, which indicates that all construct variables have not been eliminated from the model. Therefore, it can be concluded that the construct meets the convergent validity criteria.

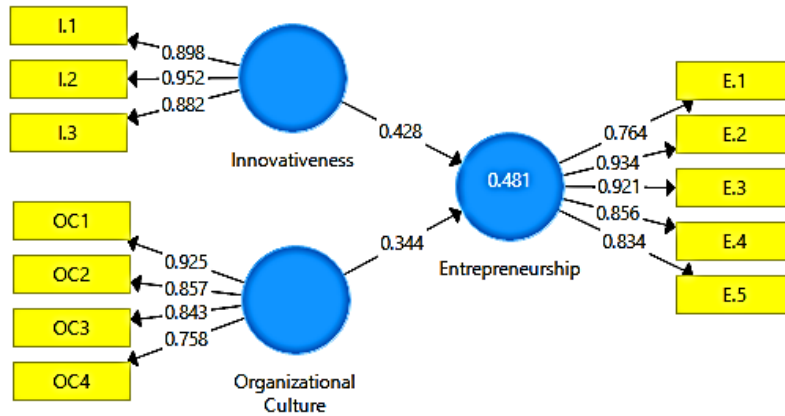


Figure 3. Convergent Validity

Table 2. R-Square

	R Square	R Square Adjusted
Entrepreneurship	0.481	0.470

Coefficient of Determination (R Square)

In Table 2, the Adjusted R² value of the multiple linear regression model is 0.470. This shows that 47% of entrepreneurship is influenced by Innovativeness and Organizational Culture. Organizational culture and innovativeness affect entrepreneurship by above 47% which is included in the fairly low influence category in research with two variables. Meanwhile, 53% of interest in entrepreneurship is influenced by other variables not examined.

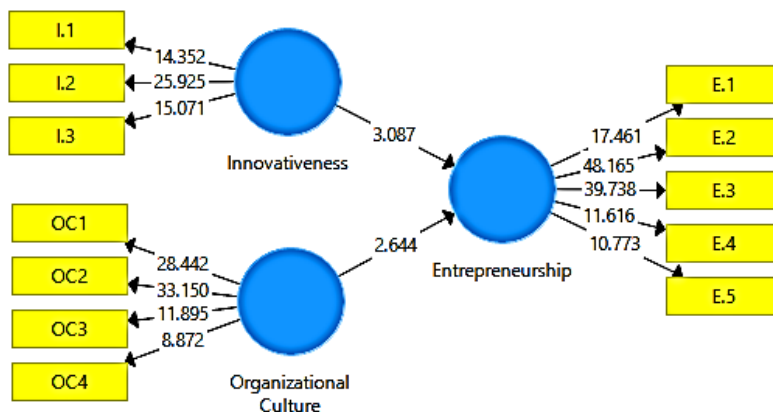


Figure 4. Hypothesis Testing

Table 3. Hypothesis Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Innovativeness -> Entrepreneurship_	0.428	0.419	0.139	3.087	0.002
Organizational Culture -> Entrepreneurship_	0.344	0.369	0.130	2.644	0.008

The Relationship between Innovativeness and Entrepreneurship

Based on the results of data analysis using SmartPLS, a p-value of 0.002 is obtained which is less than 0.050. Therefore, it can be concluded that innovativeness has a significant influence on entrepreneurship. If the innovative variable increases, it will have a significant effect on increasing the entrepreneurial variable. Conversely, a decrease in the innovative variable will have a significant effect on a decrease in the entrepreneurial variable. This finding is in line with the results of previous studies which state that

innovativeness has a positive and significant influence on entrepreneurship.(Upadhyay et al., 2023)

Organizational Culture Relations with Entrepreneurship

The results of data analysis obtained a p-value of $0.001 < 0.050$ so it was concluded that organizational culture has a significant effect on entrepreneurship. These results are in line with research which states that the use of organizational culture has a positive and significant influence on Entrepreneurship.

An increase in the level of use of organizational culture will lead to an increase in entrepreneurship. The role of organizational culture can help increase a person's interest and motivation for entrepreneurship, both through the formation of positive values related to entrepreneurship and through access to and utilization of communication tools that can be used to promote products or services effectively. In addition, organizational culture can also provide support and cooperation in developing a business, and help minimize the risks and difficulties encountered in running a business. All of these factors can increase the chances of success in starting and developing a business, so the role of organizational culture is very important in encouraging the development of entrepreneurship (Sutedjo & Hartono, 2021).

CONCLUSION

The results of this study indicate that there is a positive and significant influence of innovativeness and organizational culture on entrepreneurship. This means, the better the innovativeness and organizational culture, the higher the entrepreneurial behavior. Therefore to increase entrepreneurship, it must increase the innovative variables and organizational culture

References

- Akter, B., & Iqbal, M. (2022). A.(2022): The Impact of Entrepreneurial Skills, Entrepreneurship Education Support Programs and Environmental Factors on Entrepreneurial Behavior: A In World Journal of Entrepreneurship, Management researchgate.net.
- Amri, F., & Mz, M. D. (2023). Antecedents That Influence Employee Performance in PT Lion Air with Organizational Culture as a Mediation Variable. *Jambura Science of Management*.
- Barsyte, J., & Fennis, B. M. (2023). When innovation backfires: Preference for predictability moderates the spillover of functional food ambivalence to the entire parent category. In *Journal of Business Research*. Elsevier.
- Bouarir, H., Diani, A., Boubker, O., & Rhazouz, J. (2023). Key Determinants of Women's Entrepreneurial Intention and Behavior: The Role of Business Opportunity Recognition and Need for Achievement. In *Administrative Sciences*. mdpi.com.
- Ernanda, R., Sumbari, C., & Khairad, F. (2023). Characteristics of Individual and Entrepreneurial Behavior of Oyster Mushroom Farmers in Payakumbuh City. *Morfai Journal*.
- Hasibuan, P. M., Chairi, Z., & Aflah, A. (2022). Legal Protection of Brand Rights for Micro, Small, Medium Business Product (MSMES) in Medan Selayang District, Medan City. *International Journal of Social Service and Research*, 2(6), 577-585.
- Junaedi, A., Sunaryo, W., & (2021). Determination of Work Motivation, Organizational Culture and Transformational Leadership in Improving Innovativeness of a Regional Government Employees. In *International Journal of ijsmsjournal.org*.
- Li, S., Li, J., Ding, J., Sun, M., & Cui, C. (2023). A Game Strategy Study on Innovation Efficiency of China's Listed Charging Pile Companies: Based on Generalized Fuzzy DEA Method. *Sustainability*.

- Purwanto, A., Asbari, M., & Hadi, A. H. (2020). Pengaruh Gaya Kepemimpinan Tansformational, Authentic, Authoritarian, Transactional Terhadap Kinerja Guru Pesantren di Tangerang. *Dirasah: Jurnal Studi Ilmu Dan*.
- Purwanto, A., Asbari, M., & Santoso, T. I. (2020). Analisis Data Penelitian Manajemen Pendidikan: Perbandingan Hasil antara Amos, SmartPLS, WarpPLS, dan SPSS Untuk Jumlah Sampel Kecil. In *International Journal Of Social researchgate.net*.
- Rass, L., Treur, J., Kucharska, W., & Wiewiora, A. (2023). Adaptive Dynamical Systems Modelling of Transformational Organizational Change with Focus on Organizational Culture and Organizational Learning. In *Cognitive Systems Research*. Elsevier.
- Sari, A. K., Kesuma, S. A., & Muda, I. (2023). MSMEs Upgrade with The Concept of Green Accounting and Digitalization (Study Literature Review). *International Journal of Social Service and Research*, 3(3), 763-767.
- Sutedjo, P., & Hartono, G. G. (2021). The Influence of Entrepreneurship, Organizational Culture, and Organizational Reputation on Company Performance in Trafoindo Prima Perkasa in Jakarta. *of Entrepreneurship, Organizational*.
- Torrico, M. G. C., Hinojosa-Pareja, E. F., & (2023). A statutory requirement: Teaching innovation for gender equality at university. *Women's Studies*.
- Upadhyay, N., Upadhyay, S., Al-Debei, M. M., & (2023). The influence of digital entrepreneurship and entrepreneurial orientation on intention of family businesses to adopt artificial intelligence: examining the mediating role *International Journal of* <https://doi.org/10.1108/IJEER-02-2022-0154>.
- Wardhani, R. A., Arkeman, Y., & Ermawati, W. J. (2023). The Impact of Quick Response Adoption of Payment Code on MSMEs' Financial Performance in Indonesia. *International Journal of Social Service and Research*, 3(3), 869-878.
- Widarko, A., & Anwarodin, M. K. (2022). Work Motivation and Organizational Culture on Work Performance: Organizational Citizenship Behavior (OCB) as Mediating Variable. *Golden Ratio of Human Resource*.
- Wijayaningsih, A. A., Retnawati, B. B., & (2023). Analysis on Resources and Organizational Culture as Sustainable Competitive Advantages in a Printed Newspaper Company in Semarang. *Journal of Management*.
- Willard-Grace, R., Grumbach, K., Huang, B., & Sharma, A. (2023). Caregiving, Organizational Culture, and Burnout Among Primary Care Clinicians and Staff During the COVID-19 Pandemic. *Annals Family Med*.
- Yang, J., Ai, J., & Fan, L. (2022). A study on sustainable entrepreneurial behavior in china from multiple perspectives. *Sustainability*.
- Zahoor, N., Khan, Z., Meyer, M., & Laker, B. (2023). International entrepreneurial behavior of internationalizing African SMEs—Towards a new research agenda. In *Journal of Business Research*. Elsevier.