

Entrepreneurial Employee Activity in Indonesia

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ABSTRACT

Based on Global Entrepreneurship Monitor (GEM) data, Indonesia has the highest new business entrepreneurship rate among other Southeast Asian countries. Indonesia also has a relatively high established business ownership rate, it is the second highest among Southeast Asian countries after Thailand. However, almost all businesses still focus on the trading or selling products that do not show an example of risk taking and has little innovation. This research captures entrepreneurial employee activity (EEA), which is acknowledging the existence of different types of entrepreneurship (early-stage entrepreneurs, established businesses, and ambitious entrepreneurial employee activity) among non-entrepreneurs. This study elaborates how different profiles of entrepreneurship, related to different conditions, leading to different forms of socio economic output. The study indicates that there is a low rate of employees who are taking an active and leading role in the entrepreneurial activity are very low, and the rate tends to decrease between current situation and the last three years.

JEL Classifications: O1, O2, O4, O5

Keywords: adult population survey; entrepreneurship; entrepreneurial employee activity; economic development

I. INTRODUCTION

Entrepreneurship has been considered as an important driver in developing a stronger economic condition of a nation, and this also applies to Indonesia. The emergence of start-up businesses has given a significant contribution into the Indonesian GDP (Tambunan, 2000). Nandram and Samsom (2006) described entrepreneurship as an inner mechanism within the spirit of a person. Tambunan (2009), furthermore, stated that entrepreneurs, even in small and medium levels of business (or SMEs) in Indonesia have contributed an important role in creating job opportunities, poverty reduction, growth in exports as well as improvement of income distribution. Hence, being an entrepreneur or having an entrepreneurship spirit is a good indication of being a person that always has a positive mind, challenge the risk, and act with determination.

Based on the global and national data, it is found that unemployment rate is increasing. International Labour Office (ILO) (2013) estimated that 73 million young people around the globe were unemployed in 2013. Data from Statistics Indonesia shows that youth unemployment level is 22.2% in 2009 (BPS, 2010). Indonesian demographic dividend could result a drawback for a productive labor force since a limited employment opportunities. Cultivating the entrepreneurial spirit may promote productive individuals to start a business and to have a positive contribution into the economy, such as what cases given by Kaijun and Sholihah (2015) in Indonesia and China.

Entrepreneurship has become a term that is increasingly widespread around the world, also, entrepreneurship tends to be associated with economic development and well-being of society. Entrepreneurship represented by small medium enterprises (SMEs) has a positive impact to national economy; SMEs is believed to be less sensitive to the economic crisis than the larger enterprise. Furthermore, when the business has been established, the upscaling business from micro into small, medium, and large enterprises has a prominent role in the growth of the local economic development.

Indonesia is identified as one of the middle-income economy, with the efficiency driven category based on World Economic Forum (Schwab, 2015). Indonesia has relatively a strong economy and a stable political life. The economic crisis in 1998 brought significant changes as Indonesia severed quite badly in this crisis. However, based on study of Tambunan (2010), in the crisis in 2008-2009, although Indonesia has been affected by the crisis, it recovered much quicker and grew faster than other countries in the region. Tambunan argued that the reasons for easy recovery is employees that had job cut chose to create entrepreneurial activities in the informal sector, such as become an owner of micro or small businesses, such as starting a kiosk to sell products or creating food catering or food stalls. As a result, employees who were laid off from formal sectors can survive and earn income from their surviving entrepreneurial activities.

As Indonesian micro and small businesses (or SMEs) tend to be informal, we would say that SMEs have contributed to economy's potential contribution. But it needs to be understood that SMEs are also facing several constraints, such as limited capital, market entry barriers, the supply of good quality materials, the limitation of technology adoption, and labor skills. These constraints are hindering SMEs to grow

and upgrade their business capacity. Also, in terms of changing state from employment to entrepreneurship, and to be more than surviving entrepreneurs, employees need to have entrepreneurial capabilities during their employment, and it is called Entrepreneurial Employee Activity (EEA).

This paper discusses about EEA in Indonesia. This study adopts GEM conceptual framework which is stated that entrepreneurial activity is shaped by a distinct set of factors called Entrepreneurial Framework Conditions (EFCs) that support the growth of new business. This study describes entrepreneurial employee activity as a situation where *“an employee in the past three years was actively involved in and had a leading role in either the idea development for a new activity or the preparation and implementation of a new activity”* (Singer, Amorós, dan Arreola, 2015, p.13).

This paper is structured as follows. The first part of this paper contains the literature review that discusses entrepreneurial employee activity. The second part describes the research model used in this research, namely Adult Population Survey (APS) model from Global Entrepreneurship Monitor (GEM). In this research, the case study is conducted in 23 out of 34 provinces in Indonesia. The third part describes analysis and followed by discussion. The last part of paper provides the conclusion.

II. ENTREPRENEURIAL EMPLOYEE ACTIVITY: CONCEPT AND DEFINITION

The GEM survey generates a variety of relevant primary information on different aspects of entrepreneurship and provides harmonized measures about individuals' attributes and their activities in different phases of venturing (from nascent to start-up, established business and discontinuation). GEM also tracks highly ambitious entrepreneurship (by identifying aspirations to grow among owner-managed businesses and the presence of entrepreneurial employee activity) (Nawangpalupi et al., 2015).

GEM bases the study on the objective of the exploration and assessment of the role of entrepreneurship in national economic growth. This scope is aligned with the “Schumpeterian” view that entrepreneurs are ambitious and seek for innovation. The real entrepreneurs should speed up changes in the economy, introduce new competition and contribute to productivity, job creation and economy competitiveness (Amoros and Bosma, 2014).

Different types of entrepreneurship would have important implications for socio-economic development. Many people in the world aims to have better opportunities by creating business activities, or they may have limited or no alternative options for work. By having the option to be self-employed, people are able to take care of themselves and their families. By setting up a business, people may even be able to set aside some money allowing their children to participate in proper education. In developing countries, in factor driven and efficiency driven economies, this kind of entrepreneurship is very prominent. Self-employment can also contribute to the flexibility and productivity of the overall economy, some entrepreneurs are still able to work as an employee while the business is operating.

Entrepreneurship can also be applied in an existing organization, or some studies refer to the *entrepreneurship within existing organizations*. Entrepreneurship researchers acknowledge this and argue that studying causes and consequences of entrepreneurship requires going beyond viewing entrepreneurship as an occupation (self-employment; startup rates). Instead the focus has moved to entrepreneurial behavior, including for example entrepreneurial employee activity – a term that is closely related to “intrapreneurship” or “corporate entrepreneurship” (see Bosma et al., 2013).

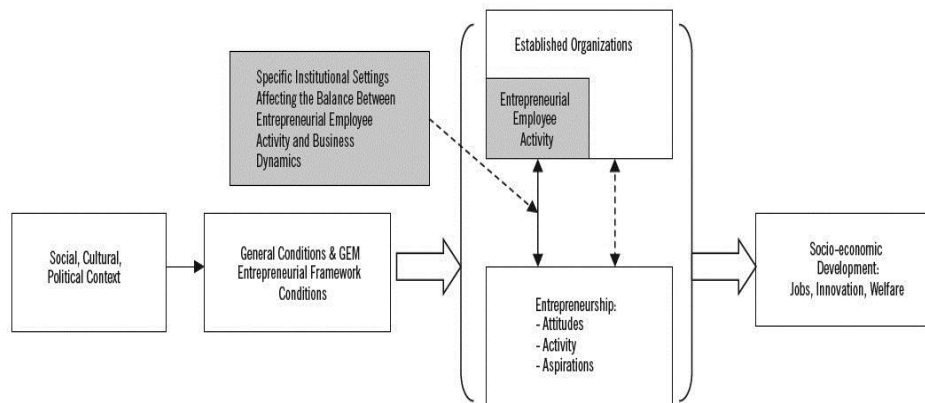
Bosma et al. (2013) define entrepreneurial activity which involves the employee as employees developing new activities for their main employer, such as developing or launching new goods or services, or setting up a new business unit, a new establishment or subsidiary.

III. CAPTURING ENTREPRENEURIAL EMPLOYEE ACTIVITY

Since 2011, GEM captures entrepreneurial employee activity (EEA), acknowledging the existence of different types of entrepreneurship (early-stage entrepreneurs, established businesses, and ambitious entrepreneurial employee activity), which together build an economy’s entrepreneurial capacity (Amoros and Bosma, 2014).

EEA can be positioned as an extension of the GEM conceptual model. The model consists of Entrepreneurial Framework Conditions (EFCs) that are measured based on harmonized surveys of experts in the field of entrepreneurship. The measures of entrepreneurial attitudes, activity and aspirations are captured using Adult Population Survey (APS). In particular, aspirations or ambitions are relevant because researchers increasingly realize that all entrepreneurial activity does not equally contribute to development. Figure 1 can be seen as a conceptual model of GEM study and shows how the EFCs relate to entrepreneurial dynamics, both in the form of (early-stage and established) entrepreneurship and of employee entrepreneurial activities.

Figure 1
Highlighting the role of entrepreneurial employee activity in a process model explaining macro economic development (Bosma et al., 2013)



Different profiles of entrepreneurship that relate to different conditions may lead to different socio economic results. The measurement of EEA can be a tool to explore how entrepreneurship has role in economic development. In this perspective, GEM recognizes that different stages of economic development may lead to different profiles of entrepreneurial activity in order to advance the socio-economic development of a country. The measure of EEA is believed to be increasing along the development stages, higher in innovation-driven and decreasing in efficiency-driven then the lowest in factor-driven economies (Amoros and Bosma, 2014).

IV. RESEARCH METHODOLOGY

This research employs GEM research methodology in collecting the data (exploratory studies). According to Nawangpalupi et al. (2015), the survey was conducted to representative samples of Indonesian adult population, males and females between the ages of 18 and 64 years. The survey, that has a standard instrument between GEM participating countries, is Adult Population Survey (APS). As GEM required, each country has to conduct the survey among a random representative sample of at least 2,000 adults. Indonesia used 5,500 adults as its sample size, from both urban and rural areas in the vicinity of the capital city of the province. Twenty-three provinces are selected for the survey and these 23 provinces are selected from the highest populated provinces to the 23rd highest (of 34 provinces in Indonesia), representing to almost 85% of Indonesian population. The selection provinces are: DI Aceh, North Sumatera, West Sumatera, Riau, South Sumatera, Lampung, Banten, DKI Jakarta, West Java, Central Java, East Java, Bali, West Nusa Tenggara, East Nusa Tenggara, West Kalimantan and South Sulawesi.

The main stages of sample design for this APS are as follows: (1) Stage 1: The country is divided into 34 provinces; (2) Stage 2: Each province is then divided into region (urban and rural) in city level; (3) Stage 3: Each stratum in city level is then divided into district level. The strata (urban/rural) in sub district level will be randomly selected by team; (4) Stage 4: Each District is then divided into RT (Rumah Tangga or Household), which is the smallest community group. The sample will be randomly selected by team; (5) Stage 5: The final step is to select the appropriate respondent within each household in RT level. The selection of the respondent within a household will be based on the "knish grid" method.

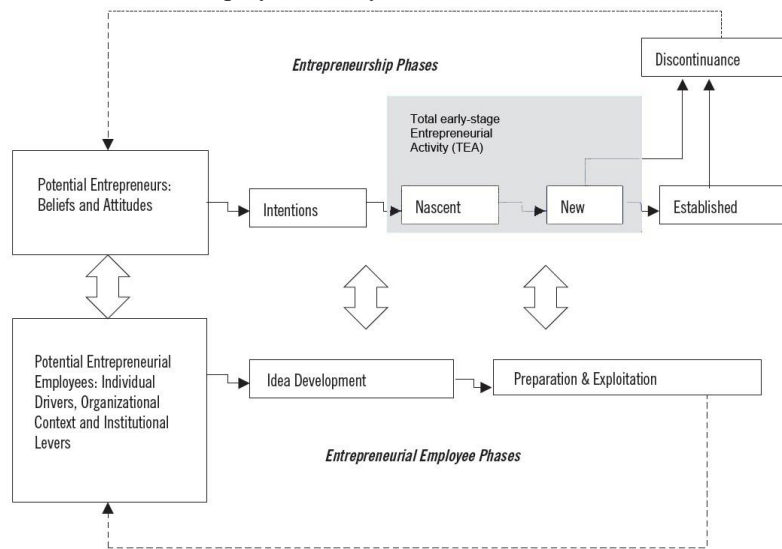
The selection of respondents provides a profile of a representative cross section of the Indonesian adult populations, balanced for age and gender distribution. Weights are applied to each stratum (in Province level) for age and gender based on Indonesian statistical bureau demographic data. Interviewed has been conducted to 5,500 respondents, who aged between 18 and 64 years old, during June until August 2014. The survey is conducted in Indonesia language.

V. RESEARCH DESIGN FOR CAPTURING ENTREPRENEURIAL EMPLOYEE ACTIVITY

Figure 2 shows a research design for capturing the entrepreneurial employee activity. There are two phases involved, which are distinguished, i.e. 'idea development for a new activity' and 'preparation and implementation of a new activity'. Idea

development includes active information search, brainstorming and submitting ideas for new activities to the management of the business. Preparation and implementation of a new activity refers to promoting an idea for a new activity, preparing a business plan, marketing the new activity, finding financial resources and acquiring a team of workers for the new activity.

Figure 2
Entrepreneurship process and gem operational definitions, including entrepreneurial employee activity (Bosma et al., 2013)



The first definition of entrepreneurial employee activity may refer to employees who, in the past three years, were actively involved in and had a leading role in at least one of these phases (i.e., 'idea development for a new activity' and/or 'preparation and implementation of a new activity'). The second (more narrow) definition refers to the entrepreneurial employees who are also currently involved in the development of such new activities. The two definitions are shown in Figure 3 while Figure 4 shows how entrepreneurial employees according to gradually narrowing definitions may be identified, further distinctions are also possible dependent on the characteristics of EEA.

VI. DISCUSSION AND ANALYSIS

As mentioned in the introduction, entrepreneurial employee activity (EEA) is increasingly accepted as a relevant type of entrepreneurship in the sense that it aims at new venture creation and the introduction of new products and services. It also shares many behavioral characteristics with the overall concept of entrepreneurship, such as taking initiative, pursuit of opportunities and innovativeness.

Figure 3
 Entrepreneurial employee activity: Recent and current involvement
 (Bosma et al., 2013)

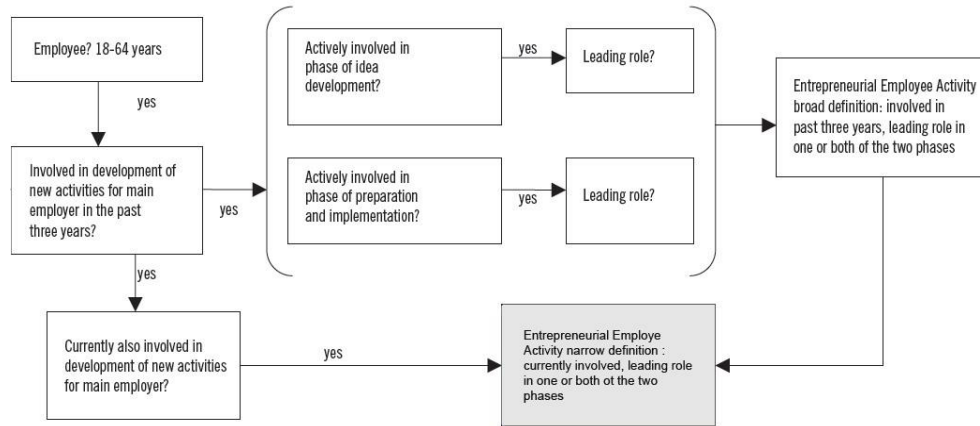
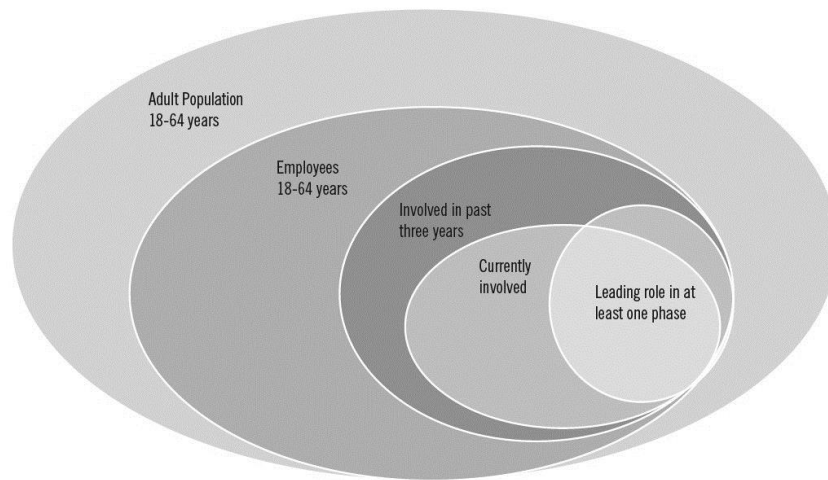


Figure 4
 Narrowing down from adult population to entrepreneurial employee activity
 (Bosma et al., 2013)

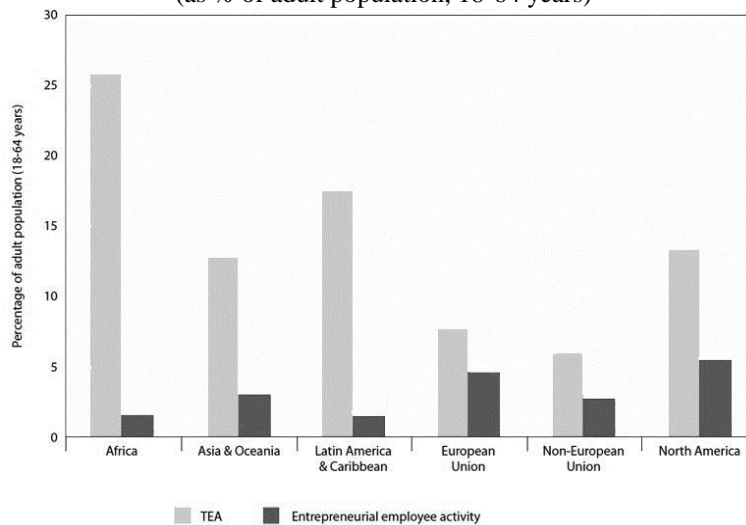


Entrepreneurial employee activity is much scarcer than total early-stage entrepreneurial activity (or what is so-called TEA in GEM) across the world. North America and EU economies have the highest incidence of entrepreneurial employee activity. Based on the GEM conceptual framework and collected data, a set of numerous indicators are calculated and included in global and national reports.

VII. CHARACTERISTICS OF ENTREPRENEURIAL EMPLOYEE ACTIVITY

Respondents participating in the GEM survey among GEM member were asked if they, in the past three years or currently, were actively involved in and had a leading role in either idea development for a new activity or in preparation and implementation of a new activity. The result from 2014 survey (as reported by Singer et al. 2015) based on adult population 18-64 years old by world geographic region is shown in Figure 5 below.

Figure 5
Comparison of presence of TEA and EEA in 2014, by geographic regions
(as % of adult population, 18-64 years)



In Indonesia alone in 2014, there were 5.500 individuals adult surveyed across the regions (23 provinces in Indonesia), which represented approximately 85% of the Indonesian population. Based on Figure 6, the EEA characteristics of Indonesia is described in Table 1. The table indicates a decreasing rate of entrepreneurial employee, either there are as active role or active and leading role. In general, the employees who are taking an active and leading role in the entrepreneurial activity are very low, and tend to decrease as comparing the last three years and current time.

Table 1
The EEA characteristics of Indonesia in 2014

	Adult population		Employment population	
	In past three years	Now (currently)	In past three years	Now (currently)
Active	2.2 %	1.8%	5.8 %	4.7 %
Active and leading	0.5 %	0.4 %	1.2 %	1.0%

Source: Indonesian GEM survey 2014

Age and education are driven factors of EEA. The following graph depict the effect of age and education factors into the EEA. Figure 6 shows the percentages of EEA at different categories of ages. The figure shows that the category 25-34 years old and male shows a higher active EEA rate (43%). For female, there is a tendency to have higher active EEA rate for older females, aged 35-44 (36.6%).

The education factor is served as a driven factors as well. The male or female with senior secondary education shows a higher rate of active EEA rate – 57.4% and 47.4% respectively (see Figure 7).

The comparative analysis between Indonesia and other countries is shown in Figure 8. Indonesia is in the efficiency driven economies, together with two other ASEAN countries: Malaysia and Thailand. Indonesia has a higher EEA rate than Malaysia, but lower if it is compared with Thailand.

Figure 6

The active EEA in past three years (based on adult population) by age categories

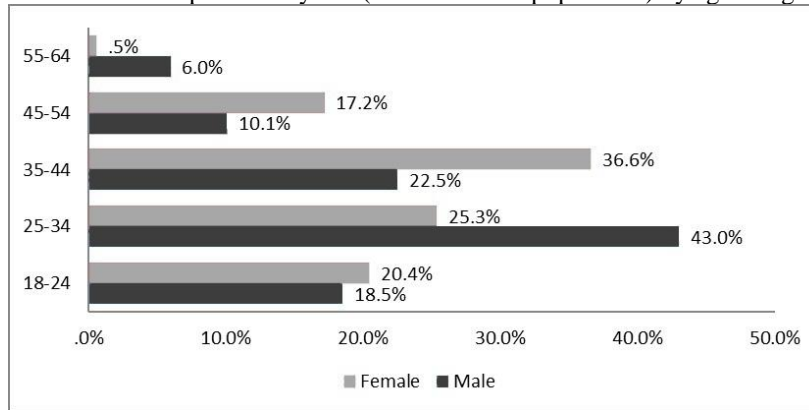


Figure 7

The active EEA in past three years (based on adult population) by education categories

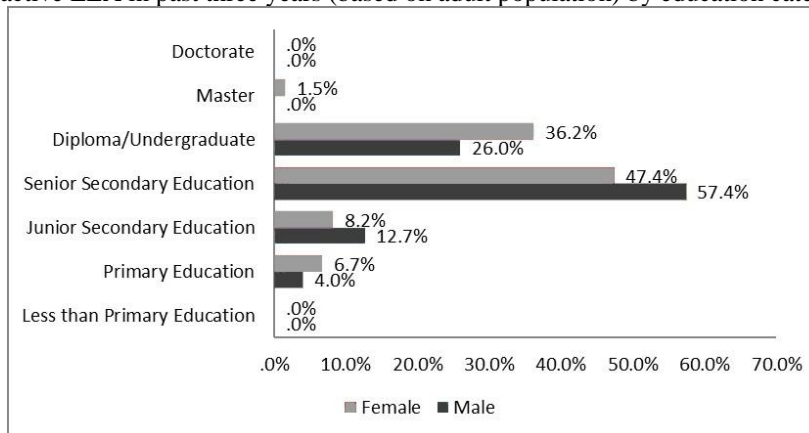
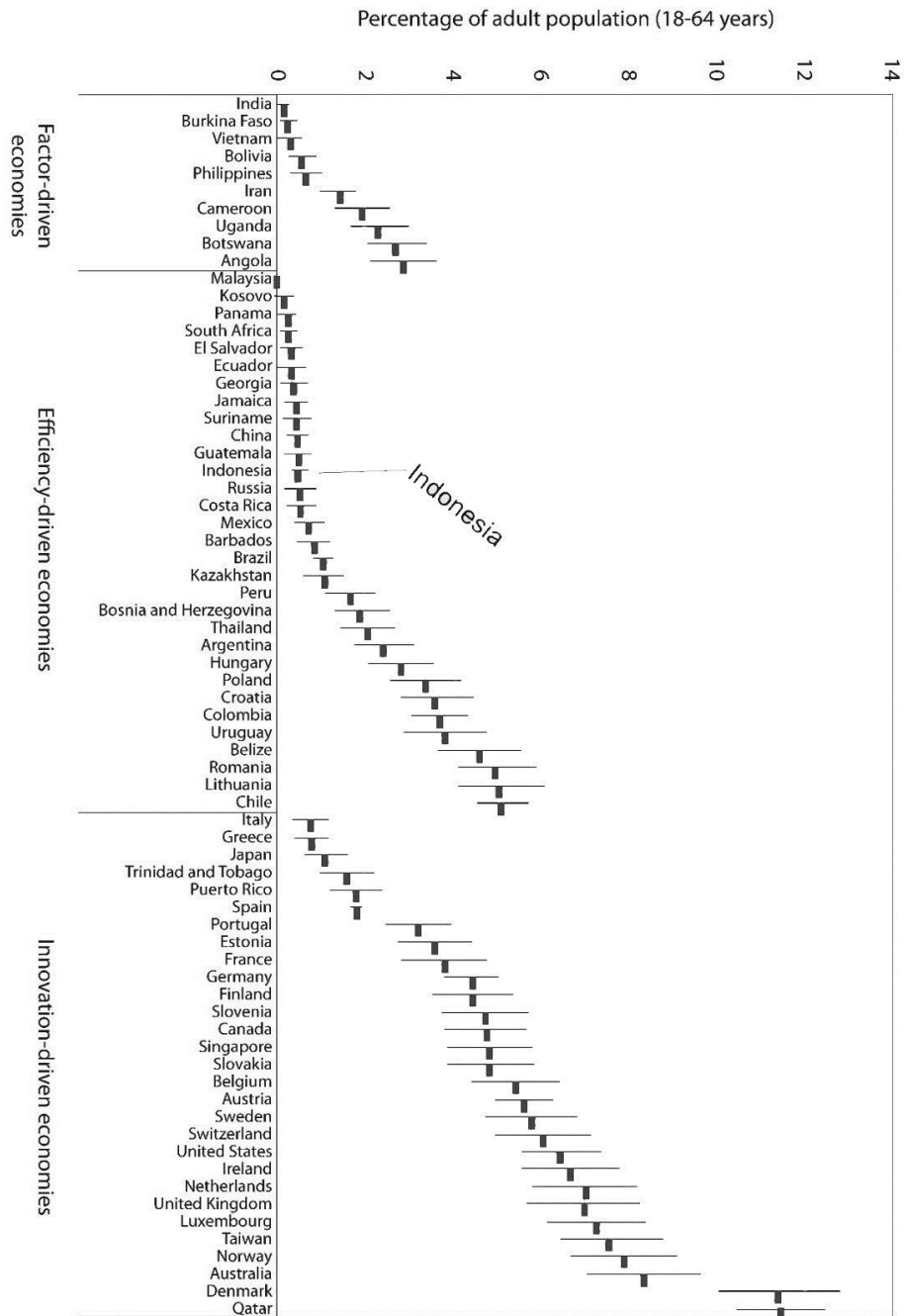
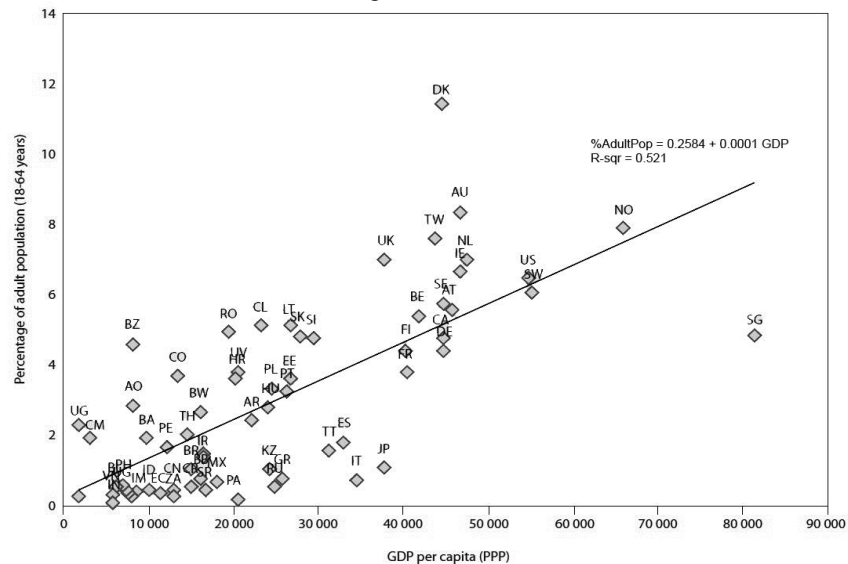


Figure 8
The Indonesian EEA compares with other countries
(Singer, Amorós, and Arreola, 2015)



In general the figure indicates that the entrepreneurial employee activity (EEA) is increasing along the development stages, higher in innovation-driven economies, the lowest in factor-driven economies. This condition is also depicted from Figure 9, which show a positive relationship between GDP per capita (PPP) versus the EEA rate. The higher economics stages development of the countries show the higher EEA rate. In Figure 9, Indonesia is located in the lower left corner, which indicates the low economic stages development corresponding with the low EEA rate.

Figure 9
Relationship between GDP per capita (PPP) versus EEA rate
(Singer et al., 2015)



VIII. CONCLUSION

This research highlights many positive entrepreneurial profiles which can strengthen entrepreneurial activities in Indonesia and can be used to policy maker, government and entrepreneurial as well. The decreasing rate of entrepreneurial employee, either as an active role or active and leading role shows that employees who are taking an active and leading role in the entrepreneurial activity are very low, and tend to decrease. Age and education could be a driven factors of EEA with the population between 25-44 years old have higher EEA rate. The male between 25 and 34 years old has a higher active EEA rate and females between 35 and 44 has a higher active EEA rate.

The EEA rate tend to increase in correlation to the development stages. The innovation-driven economies have higher EEA rates and the factor-driven economies have the lower EEA rate. This condition has supported the background information about a positive relationship between GDP per capita versus the EEA rate. The higher economics stages development of the countries show the higher EEA rate as well.

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