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ORGANIZATIONAL CULTURE IN BUILDING ENTREPRENEURSHIP SKILLS IN SMALL AND MEDIUM ENTERPRISES

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ABSTRACT

This paper investigates the impact of organizational culture in building entrepreneurship skills in small and medium enterprises (SMEs). Measurement of organizational culture was based on six dimensions: observed behavioral regularities, norms, dominant values, philosophy, rules, and organizational climate. Measurement of entrepreneurship skills was based on three dimensions: innovative, persistence in difficulty, and interpersonal ability. A quantitative research method was used with a correlational survey. Data were obtained by distributing questionnaires to 148 entrepreneurs in Indonesia in April 2018. The results obtained showed that entrepreneurs in Indonesia tend to have skills at a moderate level and possess a culture engaged with corporate organization. Moreover, the results also showed that the organization culture of entrepreneurs in Indonesia is the most dominant variable in determining the formation of entrepreneurship skills of entrepreneurs in the country.

INTRODUCTION

Entrepreneurship has become a topic of concern in many countries. Much related research has focused on the importance of entrepreneurial activity for economic development (Davidsson, Delmar, & Wiklund, 2006). To be able to perform entrepreneurship processes well, one must have entrepreneurship skills. Currently, various methods of entrepreneurship education such as business incubators, co-working spaces, and business mentoring are

vigorously taught at all levels of formal and informal education. Several studies have proven that entrepreneurship education and training have given positive results for entrepreneurs for better business growth (Henry, Hill, & Leitch, 2003).

The development of entrepreneurial skills is certainly not enough just at the level of education; it also needs to be developed within the organizational culture. The word "culture" itself can be defined as a way of life that belongs to a group of people and is passed down from one generation to the next. Thus, corporate culture can be interpreted as an archetype of how things are done within an organization (Nayak & Barik, 2013). Corporate culture can affect how a group of people inside a company either consciously or unconsciously make decisions and act (Hansen & Wernerfelt, 1989; Schein, 1990). Organizational culture is a factor that affects performance, commitment, and effectiveness in a company (Kotter & Heskett, 1992; Deal & Kennedy, 1982; Peters & Waterman, 1982). With changing circumstances, the culture of an organization must develop in line with its adaptability in addressing external and internal problems (Schein, 1985). Therefore, it is important to examine the relationship between organizational culture and the development of entrepreneurship skills.

The related research focuses on small- and medium-sized enterprises (SMEs) because SMEs play an important part of a country's economic development. In Indonesia, SMEs absorb manpower and proved to maintain resilience in the face of the 1997–1998 economic crisis (LPPI & Bank Indonesia, 2015).

Based on data from the Central Bureau of Statistics, after the economic crisis, SMEs in Indonesia continued to grow every year. Labor and export value of SMEs also continued to increase. In 2013, the number of MSMEs reached 57,895,721 units (99.99%) from a total of 57,900,787 units of total businesses in Indonesia, with total employment of 114,114,082 and an export value of 182,112.70 billion rupiah. From this data, it is clear that SMEs dominate and have a significant impact on the economy in Indonesia.

The hypotheses to be tested in the study are as follows:

1. The first hypothesis is to show that no (H0) or existing (H1) entrepreneurs in Indonesia significantly tend to have skills at a medium level.
2. The second hypothesis is to show that no (H0) or existing (H1) entrepreneurs in Indonesia significantly tend to have a cultural engagement with corporate organizations.
3. The third hypothesis is to show that no (H0) or existing (H1) organization culture (*X*) is the most dominant significant variable determining the realization of entrepreneurship skills of entrepreneurs in Indonesia (*Y*).

LITERATURE REVIEW

Entrepreneurship Skills

Is an entrepreneur born or created? Many entrepreneurs start their businesses without having an entrepreneurship background and/or entrepreneurship skills, and they learn those skills while running their business. Thus, it can be concluded that entrepreneurship is a discipline that can be learned (Drucker, 1985), where the learning system can be informal and self-taught based on the experience of trial and error. Currently, entrepreneurship learning methods not only focus on hard skills but on soft

skills as well. Soft skills have become key in determining success because, based on the results of research, grit (perseverance and passion for long-term goals) is an important factor in one's success (Duckworth, Peterson, Matthews, & Kelly, 2007).

Skill is a person's ability to do things well in a particular context (Fischer & Bidell, 2006). Thus, skill depends not only on individual attributes but also on the social context in which the person is located (Mascolo & Fischer, 1999). Skill is formed from the knowledge and skills possessed in the context of the existing environment, where the skill itself will continue to grow gradually via the experience of real life. Thus, from this explanation, it is clear that the skills required by each entrepreneur differ from each other depending on the context and the knowledge/skills they had before (Lichtenstein & Lyons, 2001).

One skills development program for entrepreneurs is the Advantage Valley Entrepreneurial Development System (EDS) located in the central Appalachian area. The EDS training aims to provide training to prospective entrepreneurs to help them build their own businesses. EDS features four main skills: technical, managerial, entrepreneurial, and personal maturity (Gerber, 1995; Lichtenstein & Lyons, 2001). Cooney (2012) claimed that, to become an entrepreneur, three skills are necessary: entrepreneurship, technical, and management, as shown in Figure 1.

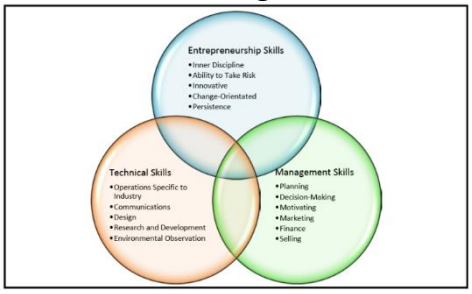

Figure 1. Entrepreneurship skill-set
Source: Cooney (2012)

Organizational Culture

Organizational culture is the most important aspect in determining the success of a company (Martins & Terblanche, 2003). Organizational culture affects everyone who is incorporated into the setting of personal and working goals, performing tasks, and making decisions. Therefore, many studies have examined the effect of organizational culture on work satisfaction, organizational commitment, and stress (Lok & Crawford, 2004; Nair, Lekshmi, & Sommerville, 2017) as well as the degree of innovation within the company (Kenny & Reedy, 2006).

Some researchers have grouped the types of corporate culture, including Wallach (1983) who divided organizational culture into three groups: bureaucratic, supportive, and innovative. Martin (1992) also divided organizational culture into three groups: integration, differentiation, and fragmentation. Finally, Goffee and Jones (1998) divided organizational culture into four categories: networked, mercenary, fragmented, and communal.

Organizations contain individuals, where each individual has different personal values, attitudes, and beliefs. These differences will determine each individual's commitment to the existing corporate culture. In addition to individuals, corporate culture is also influenced by the national culture, i.e., where the company is located. Thus, the same company will have different cultures in different places. Chen, (2004), El-Kahal (2001), and Hofstede (1980; 1991) revealed significant differences in national culture characteristics between Eastern and Western cultures. This difference will affect all aspects within a company, including its structure and management. Companies in Asia, such as in South Korea and Taiwan, are usually owned by founders and family owners; thus, management is centralized, bureaucratic, collectivist, and high-power; further, employee promotion is not based on performance but rather on family ties (Chen, 2004; El-Kahal, 2001; Somers, 1995; Sommer, Bae, & Luthans, 1996). Organizational culture systems like this certainly make it difficult for the existing individual to innovate and be creative. On the other hand, existing companies in the Western region are usually owned by the public and managed by professionals; the company structure is flatter, decentralized, individualist, less bureaucratic; and promotion is given in accordance with the employee's performance (Chen, 2004; El-Kahal, 2001).

MATERIALS AND METHODS

The research method used was a quantitative method with correlational survey. The stages performed were instrument calibration, normality test, and linearity test.

In testing the hypothesis, a two-stage analysis was done: first, self-analysis of the variables and dimensions of organization culture (*X*) independently of entrepreneurship skills (*Y*); second, the simultaneous analysis of the variables and dimensions of organization culture (*X*) against entrepreneurship skills (*Y*). The analysis was done twice in order to reveal the consistency of the most dominant variable or dimension in realizing the entrepreneurship skill of entrepreneurs in Indonesia (*Y*).

The third hypothesis test was conducted using a binary segmentation analysis approach via classification and regression trees.

RESULTS AND DISCUSSIONS

Calibration of Entrepreneurship Skill Instruments (*Y*)

Instrument calibration of entrepreneurship skills of entrepreneurs in Indonesia (*Y*) was accomplished in three stages: the content validity of the instruments was conducted by expert judgment via entrepreneurs and academics. The results of content validity generated three dimensions, five indicators, and seven items. Second, the validity of the construct was done through the orthogonal iteration approach. The sample of the research instruments was 30 people, with an *r*-criterion of 0.361 at a 5% significance level. The results of construct validity, of seven items planned, after one orthogonal iteration, revealed that all the items were valid. Third, the calculation of the reliability index of entrepreneurship skill (*Y*) instruments of entrepreneurs in Indonesia based on the Cronbach alpha formula, as shown in Table 1, was 0.845.

Table 1. *Reliability Statistics of Entrepreneurship Skill (Y) Instruments of Entrepreneurs in Indonesia*

Cronbach's Apha	N of Items
.845	7

Calibration of Organization Culture Instruments (*X*)

Instrument calibration of cultural organization (*X*) was done in three stages: first, expert judgment, consisting of entrepreneurs and academics, confirmed the content validity of the instruments. The results of content validity produced six dimensions, 10 indicators, and 10 items. Second, construct validity was done using the orthogonal iteration approach. The instrument test sample consisted of 30 people, with an *r*-criterion of 0.361 at a 5% significance level. The results of construct validity, of the 10 items planned, after one orthogonal iteration, proved all items were valid. Third, based on the Cronbach alpha formula, calculation of the reliability index of the organization culture instruments was 0.813, as shown in Table 2.

Table 2. *Reliability Statistics of the Organization Culture Instruments (X)*

Cronbach's Alpha	N of Items
.813	10

Data Normality Test of Entrepreneurship Skill Variables of Entrepreneurs in Indonesia (*Y*)

The data normality test was done for the distribution of entrepreneurship skills data of entrepreneurs in Indonesia (*Y*). Normality test was done via proportion estimation through the Blom formula with a P-P plot approach. The P-P plot approach was taken because the sample size consisted of fewer than 200 people. Based on the calculation of normal P-P plot produced normal data distribution, the distribution of data tends to lead to a normal line, and the data distribution had no outliers, as shown in Figure 2.

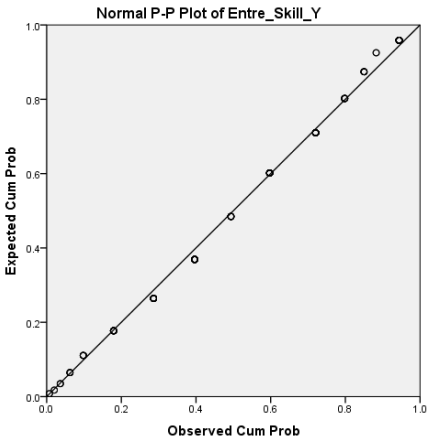

Figure 2. Normal P-P Plot of Entrepreneurship Skill Variables of Entrepreneurs in Indonesia (Y)

Likewise, when viewed from the detrended normal P-P plot (Figure 3), the data distribution does not depict a sinus or cosine curve. Thus, it can be

concluded that the distribution of entrepreneurship skills data of entrepreneurs in Indonesia (*Y*) was normally distributed.

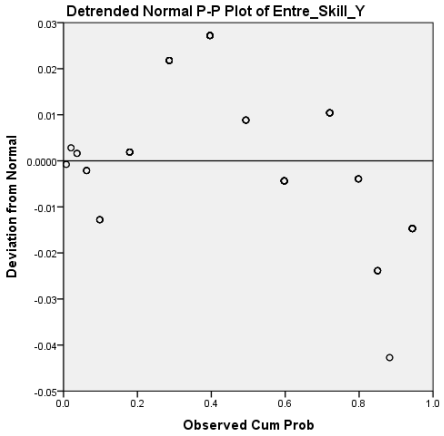

Figure 3. Detrended Normal P-P Plot of Entrepreneurship Skill Variables of Entrepreneurs in Indonesia (Y)

Data Normality Test of Organization Culture Variables (*X*)

Normality test data was done for the distribution of organizational culture variable data (*X*). A normality test was done by proportion estimation through Blom formula with a P-P plot approach. The P-P plot approach was taken because the sample size consisted of fewer than 200 people. Based on the calculation of a normal P-P plot-produced normal data distribution (Figure 4), the distribution of data tends to lead to a normal line, and the data distribution had no outliers.

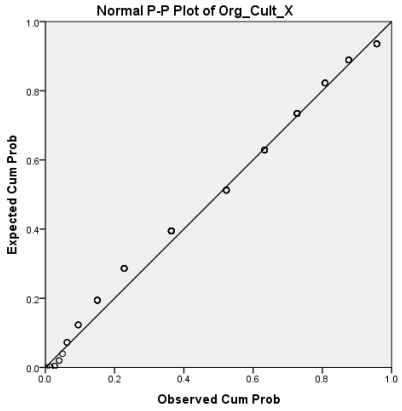

Figure 4. Normal P-P Plot of Organization Culture Variables (X)

Likewise, when viewed from the detrended normal P-P plot (Figure 5), the data distribution did not depict a sinus or cosine curve. Thus, it can be concluded that the distribution data of organization culture (*X*) variable was normally distributed.

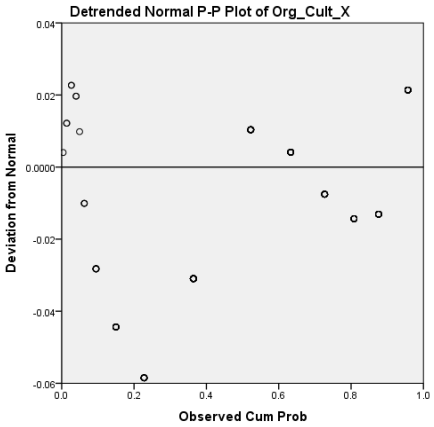

Figure 5. Detrended Normal P-P Plot of Organization Culture Variables (X)

Linearity Test Line Relationship between Organization Culture (*X*) and Entrepreneurship Skills of Entrepreneurs in Indonesia (*Y*)

The linearity test of organization culture (*X*), with entrepreneurship skills of entrepreneurs in Indonesia (*Y*) was calculated with deviation from linearity, yielded *F* equal to 3.498 and significance value of 0.000 at $\alpha < 0.01$ (see Table 3). Thus, the line relationship between organization culture (*X*) and entrepreneurship skills of entrepreneurs in Indonesia (*Y*) was nonlinear.

Table 3. *ANOVA Table of Organization Culture (X) and Entrepreneurship Skill of Entrepreneurs in Indonesia (Y)*

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
Entre_Skill_Y * Org_Cult_X	Between Groups	(Combined)	879.329	15	58.622	9.319	.000
		Linearity	571.269	1	571.269	90.816	.000
		Deviation from Linearity	308.060	14	22.004	3.498	.000
	Within Groups		868.073	138	6.290		
	Total		1747.403	153			

Due to nonlinearity, curve estimation was then performed on 11 lines, and the result of *F* linear test was 73.829 with a significance value of 0.000 at $\alpha < 0.01$, as shown in Table 4. Thus, the line relationship between organization culture (*X*) and the entrepreneurship skills of entrepreneurs in Indonesia (*Y*) was in linear tolerance.

Table 4. *Model Summary and Parameter Estimates of Organization Culture (X) and Entrepreneurship Skill of Entrepreneurs in Indonesia (Y)*.

Model Summary and Parameter Estimates

Dependent Variable: Entre_Skill_Y

	Model Summary					Parameter Estimates			
Equation	R Square	F	df1	df2	Sig.	Constant	b1	b2	b3
Linear	.327	73.829	1	152	.000	6.180	.575		
Logarithmic	.296	63.824	1	152	.000	-47.147	20.713		
Inverse	.261	53.589	1	152	.000	47.337	-720.724		
Quadratic	.434	57.833	2	151	.000	88.971	-3.771	.057	
Cubic	.440	59.313	2	151	.000	44.471	.000	-.048	.001
Compound	.307	67.319	1	152	.000	13.348	1.020		
Power	.278	58.598	1	152	.000	2.206	.699		
S	.246	49.531	1	152	.000	3.980	-24.345		
Growth	.307	67.319	1	152	.000	2.591	.019		
Exponential	.307	67.319	1	152	.000	13.348	.019		
Logistic	.307	67.319	1	152	.000	.075	.981		

The independent variable is Org_Cult_X.

Test the First Hypothesis: Entrepreneurs in Indonesia Significantly Tend to Have Skills at a Medium Level

In testing the first hypothesis, the researcher in this case set three categories of entrepreneurship skills of entrepreneurs in Indonesia: (a) low, (b) medium, and (c) high. Data analysis was done with a confidence interval at a significance level of 5% and produced lower and upper boundaries between 28.5919 and 29.6679, as shown in Table 5.

Table 5. *Descriptives to Test the 1st Hypothesis – Entrepreneurs in Indonesia Significantly Tend to Have Skill at Medium Level*

Descriptives

			Statistic	Std. Error
Entre_Skill_Y	Mean		29.1299	.27233
	95% Confidence Interval for Mean	Lower Bound	28.5919	
		Upper Bound	29.6679	
	5% Trimmed Mean		29.1825	
	Median		29.0000	
	Variance		11.421	
	Std. Deviation		3.37949	
	Minimum		21.00	
	Maximum		35.00	
	Range		14.00	
	Interquartile Range		4.00	
	Skewness		.018	.195
	Kurtosis		-.488	.389

Based on these results, it can be concluded that entrepreneurs in Indonesia tend to have skills at a moderate level significantly at $\alpha < 0.05$.

Test the Second Hypothesis: Entrepreneurs in Indonesia Significantly Tend to Have a Culture Engagement with Corporate Organization

In testing the second hypothesis, the researcher in this case set three categories of culture of entrepreneurs in Indonesia: (a) culture that does not engage with the organization, (b) sometimes engages with the organization, and (c) has culture engaged with the organization. Data analysis was done with a confidence interval at a 5% significance level and produced lower and upper boundaries between 39.3614 and 40.4309 (see Table 6). Based on these results, it can be concluded that entrepreneurs in Indonesia tended to have a culture engaged with the corporate organization significantly at $\alpha < 0.05$.

Table 6. *Descriptives to Test the 2nd Hypothesis – Entrepreneurs in Indonesia Significantly Tend to Have a Culture Engagement with Corporate Organization*

Descriptives

			Statistic	Std. Error
Org_Cult_X	Mean		39.8961	.27068
	95% Confidence Interval for Mean	Lower Bound	39.3614	
		Upper Bound	40.4309	
	5% Trimmed Mean		40.1133	
	Median		40.0000	
	Variance		11.283	
	Std. Deviation		3.35906	
	Minimum		26.00	
	Maximum		45.00	
	Range		19.00	
	Interquartile Range		4.00	
	Skewness		-.877	.195
	Kurtosis		1.872	.389

Test the Third Hypothesis: Organization Culture (*X*) Is the Most Dominant Significant Variable Determining the Realization of Entrepreneurship Skill of Entrepreneurs in Indonesia (*Y*)

In testing the third hypothesis, two stages of analysis are analyzed: first, the analysis of self-explanatory and organizational dimensions (*X*) independently of entrepreneurship skills (*Y*). Second, jointly analyzing the influence of variables and dimensions of organization culture (*X*) together toward entrepreneurship skills (*Y*). The analysis was done twice in order to reveal the consistency of the most dominant variable or dimension in realizing entrepreneurship skills of Indonesian entrepreneurs (*Y*).

First: Self-Impact Analysis to Determine the Most Dominant Variables and Dimensions of Organization Culture (X) on Entrepreneurship Skill of Entrepreneurs in Indonesia (Y)

The results of the independent influence of the variables and dimensions of organization culture (*X*) on enterpreneurship skills of entrepreneurs in Indonesia (*Y*) are shown in Table 7.

Table 7: *Self-Estimating Results of the Most Dominant Variables and Dimensions of Organization Culture (X) in Determining the Formation of Entrepreneurship Skill of Entrepreneurs in Indonesia (Y)*

No.	Analysis	Symbol	X→Y	X_1→Y	X_2→Y	X_3→Y	X_4→Y	X_5→Y	X_6→Y
1.	X relationship with Y in sample	r_{yn}	0.572	0.313	0.080	0.546	0.418	0.387	0.403
2.	Variance determination	r^2_{yn}	0.322	0.092	0.000	0.293	0.169	0.144	0.157
3.	The relative contribution of X in forming Y	r^2_{yn} (%)	32.2	9.2	0.000	29.3	16.9	14.4	15.7

4.	X relationship with Y in population	t	8.592	4.058	0.995	8.028	5.676	5.171	5.433
5.	Significance value	Sig.	0.000	0.000	0.321	0.000	0.000	0.000	0.000
6.	The effect of X on Y in the sample	$\hat{Y}$	0.575X	$1.020X_1$	$0.349X_2$	$1.511X_3$	$1.263X_4$	$1.923X_5$	$1.373X_6$
7.	The effect of X on Y in the population	F_{Reg}	73.829	16.465	0.989	64.442	32.215	26.735	29.513
8.	Significance value	Sig	0.000	0.000	0.321	0.000	0.000	0.000	0.000
9.	The greatest pure relationship	$r^2_{yn.m}$	0.592	0.092	0.052	0.293	0.169	0.144	0.157
10.	A relatively pure donation of X with Y	$r^2_{yn.m}$ (%)	35.05	9.2	0.2	29.3	16.9	14.4	15.7

Notes:

Y:	Entrepreneurship Skill Variables of Entrepreneurs in Indonesia
X:	Organization Culture Variables
$X_{1:}$	Observed Dimensions of Behavioral Regularities
$X_{2:}$	Dimensions of Norms
$X_{3:}$	Dimensions of Dominant Values
$X_{4:}$	Dimensions of Philosophy
$X_{5:}$	Dimensions of Rules
$X_{6:}$	Dimensions of the Organizational Climate

It can be explained that organization culture (*X*) is the most decisive variable of entrepreneurship skills of entrepreneurs in Indonesia (*Y*) after being influenced by the norms dimension of the entrepreneur him/herself (*X*2). The ability of organization culture (*X*) to form entrepreneurship skills of entrepreneurs in Indonesia (Y) is 35.05%. The relationship condition of entrepreneurial orientation (*X*) with entrepreneurship skills of entrepreneurs in Indonesia (*Y*) in the r_{yn} sample of 0.572 is positive. The relative contribution of organization culture (*X*) established entrepreneurship skills of entrepreneurs in Indonesia (*Y*) in the sample was 32.2%. While the relationship between organization culture (*X*) and entrepreneurship skills of entrepreneurs in Indonesia (*Y*) in the population was shown by a t-student value of 8.592, with significance value of 0.000 at $\alpha < 0.01$. Thus, the relationship between organization culture (*X*) and entrepreneurship skills of

entrepreneurs in Indonesia (*Y*) in the population was equal to the positive sample and contributed 32.2% to entrepreneurship skills of entrepreneurs in Indonesia (*Y*). The influence of organization culture (*X*) to form entrepreneurship skills of entrepreneurs in Indonesia (*Y*) in the sample was depicted through the equation of regression line $\hat{Y} = 0.575X$. While conditions in the population were shown through the Freg test of 73.829 with a significance value of 0.000 at $\alpha < 0.01$. This means that, if the organization culture (*X*) of entrepreneurs in Indonesia is fixed through at least four priority programs, the entrepreneurship skill of entrepreneurs in Indonesia (*Y*) will increase by 2.3 times from the skill condition of entrepreneurs in Indonesia at present. The conclusions of the analysis are shown in Figure 6.

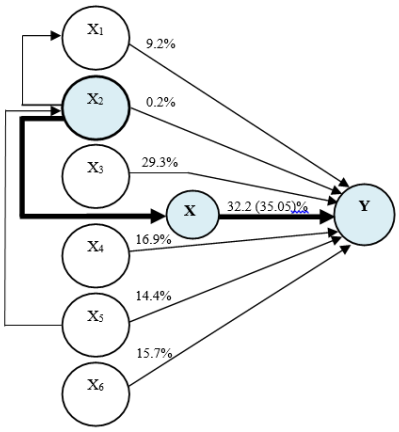

Figure 6: The Results of the Independent Influence of the Variables and Dimensions of Organization Culture (X) on Entrepreneurship Skill of Entrepreneurs in Indonesia (Y)

Notes:

Y:	Entrepreneurship Skill Variables
X:	Organization Culture Variables
$X_{1:}$	Observed Dimensions of Behavioral Regularities
$X_{2:}$	Dimensions of Norms
$X_{3:}$	Dimensions of Dominant Values
$X_{4:}$	Dimensions of Philosophy
$X_{5:}$	Dimensions of Rules
$X_{6:}$	Dimensions of the Organizational Climate

Second: Simultaneous Analysis of Influence of the Most Dominant Variables and Dimensions of Organization Culture (*X*) on Entrepreneurship Skills of Entrepreneurs in Indonesia (Y)

The third hypothesis test was done by a binary segmentation analysis approach called classification and regression trees. In this analysis, the researchers set the pruning of the depth of two, parent of two, and child of one, with a significance level at $\alpha < 0.05$, as shown in Figure 7.

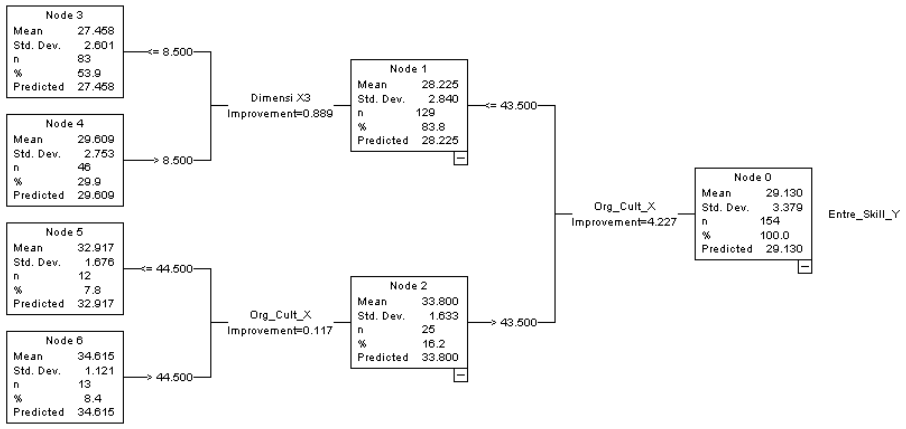

Figure 7. Classification and Regression Tree of Organization Culture (X) on Entrepreneurship Skill of Entrepreneurs in Indonesia (Y)

The results of the analysis show that the organization culture of entrepreneurs in Indonesia (*X*) was the most dominant variable in determining the formation of entrepreneurship skills of entrepreneurs in Indonesia (*Y*), where the dimension of dominant norms (*X*2) owned entrepreneurs were able to determine the formation of organization culture (*X*). If the condition of organization culture of entrepreneurs in Indonesia (*X*) is increased through one priority program, entrepreneurship skills of entrepreneurs in Indonesia (*Y*) will increase 4.344 times from the current condition (see Figure 8).

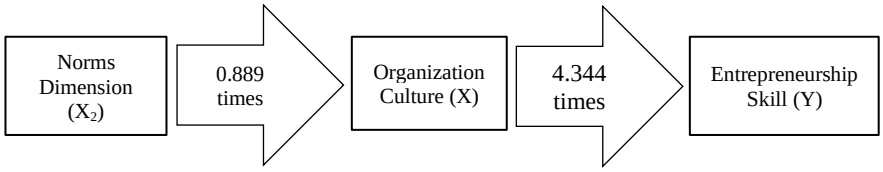

Figure 8: Norms Dimension (X2) Affects Organization Culture (X) as the Most Dominant Variable Shaping Entrepreneurship Skill of Entrepreneurs in Indonesia (Y).

Based on the above research, it can be concluded that the third hypothesis, which states that organization culture (*X*) was the most dominant variable determining the realization of entrepreneurship skill of entrepreneurs in Indonesia (*Y*), was shown to be highly significant in this research.

CONCLUSIONS

The research result shows that entrepreneurs in Indonesia tend to have skills at a moderate level and tend to have a culture engaged with corporate organization. It is important that, as entrepreneurs, they develop a positive culture within the organization so as to improve overall organizational performance. For SMEs, worker equity is heavily dependent on the input

given so that they can produce optimal output (Fatimah, Amiraa, & Halim, 2011).

Moreover, the results of this study also show that organization culture is the most decisive variable of entrepreneurship skills of entrepreneurs in Indonesia after being influenced by the norms dimension of the entrepreneur him/herself. Organizational culture is influenced by norms that affect the behavior of members within the organization (Ismiyarto, Suwitri, Warella, & Sundarso, 2015). With a transparent corporate culture, being able to accept differences and appreciate one another can enhance entrepreneurship skills within the organization itself. Workers will be more courageous to try something new, more creative, not be afraid of failure, have active communication with fellow workers, and support each other for the achievement of organizational goals.

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