The Impact of the Sustainable Entrepreneurship on Non-Financial Business Performance: A Study of Start-Up Business Owner's Perception in an Indonesian University

Renita Kawuryan[1], Chang-Jung Lin[2]
[1]Politeknik Negeri Samarina, Indonesia
[2]Global Master of Business Administration, Providence University, Taiwan
Email: renitakawuryan@gmail.com

Abstract

The purpose of this research was to examine the impact of Sustainable Entrepreneurship on Non-Financial Business Performance for Start-up Business Owners in an Indonesian University. In this study, three dimensions of Sustainable Entrepreneurship- including People, Profit, and Planet- were measured subjectively by applying an eight-item dimensional scale from Soto Acosta. For Non-financial business performance, three dimensions were explored; Relationships with suppliers, Net fluctuation of employees, Customer complaints were measured by a nineteen-item scale from Škerlavaj. All the constructs in the study were modified to adhere within the five-point Likert type scale. The research used an explanatory approach with quantitative statistical techniques such as Mean, Standard Deviation, and Multiple Regression analysis. The total sample was 105 business owners incorporated into a business incubator in a University. Based on the calculation of the descriptive statistical analysis, the average of each variable calculation on People, Profit, Planet and Non-financial Business Performance show that most respondents tend to agree about the implementation of sustainable business practices within their businesses. This is indicated by the results of the overall grand mean, in the interval >3-4. The effect of each independent variable on the dependent variable of Non-financial Business Performance which includes its sub-dimensions (Relationship with suppliers, Net fluctuation of employees and Customer complaints) was done by utilizing the F-test. From the results of multiple linear regression analysis, it concludes that all of the dependent variables can be significantly influenced by independent variables People, Profit, and Planet.

Keywords: *Sustainable Entrepreneurship; Non-Financial Business Performance; Triple-Bottom-Line.*

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A. INTRODUCTION

Entrepreneurship has increased in Indonesia in the past years. Five years ago, the number of entrepreneurs in Indonesia was only around 0.25% while in 2018 it reached 3.1% (Nababan, 2015). However, based on the Global Entrepreneurship and Development Index (GEDI) in 2018, Indonesia ranked 94 out of 137 countries, indicating that Indonesia is not optimizing its potential in building entrepreneurship compared to neighboring Asian countries that have higher rankings, such as Australia (5); Hong Kong (13); Taiwan (18); Korea (24); and Singapore (27). In developed countries, the number of entrepreneurs usually ranges over 14% of the people

population. But in Indonesia, the number is still 3.1% which requires accelerated growth to meet the needs of its people. Moreover, the increase of entrepreneurial numbers in Indonesia doesn't necessarily align with increased quality. Indonesia ranked 75th in the 2013 GEDI ranking, while in 2018 it fell to the 94th position (GEDI, 2018).

In terms of sustainability, Indonesia is also in decline. In the Yale Environmental Performance Index, Indonesia ranked 133 in 2018, compared to 107 in 2016 (Yale University, 2016, 2018). While acknowledging this problem, there is movement in Indonesia to steering its new entrepreneurship towards integration and improved sustainability to help alleviate the socio-economic problems. For example, in one of the government entrepreneurship incubator programs, Village Enterprises of Indonesian State Minister for Cooperatives, small and medium Enterprises incorporated sustainability value in its mentoring process (Kusuma & Purnamasari, 2016). The success story of Indonesian entrepreneurs which emphasizes sustainability also fuels the growth of sustainable entrepreneurship. Two examples are as follows: Garbage Clinical Insurance, by Dr. Gamal Albinsaid, won the Prince of Wales Young Sustainability Entrepreneur Prize in 2014 (Manibo, 2014). The Unicorn startup GO-JEK is transforming Indonesia with its motorcycle taxi and shopping services.

To maintain and enhance positive growth within the current entrepreneurial position, entrepreneurs should innovate, increasing the value of their business by building and implementing the concept of sustainable entrepreneurship. Sustainable Entrepreneurs (SE) are individuals who conceive new business opportunities and focus on perceived opportunities to bring into existence the future of products, processes, and services for economic and non- economic gains to individuals, the economy, and society (Schaper, 2002; Schumpeter, 1939; Shepherd and Patzelt, 2011). The purpose of SE is the underlying premise that the organization no longer only generates economic success but is also able to effectively manage the "triple bottom line," (company profitability, potential benefits for the environment, and benefits for the community).

One of Indonesia's biggest issues in terms of the environment is the use of disposable plastics which places Indonesia as the second largest producer of plastic waste after China (Arifin, 2018). The impact of plastic pollution is continually felt by the surrounding community. According to the Asian Post (2017), four rivers in Indonesia are among the 20 dirtiest rivers in the world. One of them is Citarum River in West Java which supplies 80% of the water in the capital city of Indonesia, Jakarta. Recently, people around the world were shocked by the discovery of a dead whale in Papua, found with 5.9 kg of plastic in its belly. In fact, 60 countries in the world have long been fighting plastic waste; for example, in New Delhi, India anyone found selling or spreading disposable plastic, will be subject to three months in jail and a fine of USD 367. Other issues noted by the Economist Intelligence Unit (EIU), show Indonesia as holding the largest food waste ratios in the world after Saudi Arabia, where everyone produces 300 kg of food waste per year. This issue correlates directly to the number of Indonesian toddlers who experienced nutritional problems in 2017,

reaching 17.8%. Serious actions must be taken, such as educating Indonesians about the suffering and resource loss caused by these wastes. Stricter regulations of penalties and fines are also needed. All of these actions require the participation of various parties even though the government holds the primary power of regulatory decision making.

In line with the growth of entrepreneurialism and the current state of the environment, social entrepreneurs have begun to emerge. The problem is they are still predominantly found among the urban middle-class. Opportunities for social entrepreneurship rarely reach the lower middle-class or those who live outside of big developed areas. One of the factors is due to social inequality related to education where access to decent education is only available to the middle and upper classes. Therefore, the key issue is the lack of entrepreneurial knowledge about how to run a sustainable business.

If the concept of sustainability is ingrained into a company's culture, this in turn effects how business measure its own performance. There are two ways to measure the organizational performance of a company, evaluating its overall organizational performance: financial and non-financial. This research will focus on non-financial organizational performance. Non-financial organizational performance needs to be assessed for two reasons. The first reason considers the existence of diverse interest groups within a business, which may have their own particular goals, expectations, and agenda. They may only remain in the coalition if5their goals are be satisfied in a sufficient manner (Škerlavaj and Dimovski, 2006). The second reason focuses on strategic business policy, which is not necessarily financial in nature (Škerlavaj and Dimovski, 2006). Skerlavaj mentioned three important things to manage if company want to be successful in improving the Non-financial business performance includes; Relationship with suppliers, Net fluctuation of employees and Customer complaints.

Even though it has not yet expanded widely, the growth of sustainable entrepreneurship in Indonesia is salient issue to be analyzed, concerning real human issues. Based on research conducted by Soto-Acosta et al., (2016), Romania, a small post-Soviet-bloc European nation, implement government policies with a positive entrepreneurial attitude towards people and professionals, who might be seen as prerequisite of future business conduct, described here as sustainable entrepreneurship. With the growing number of social entrepreneurs in Indonesia, it encourages the researcher to identify whether sustainable entrepreneurship has in fact positively correlated with a company's business performance in Indonesian SMEs. By analyzing the effect of the triple bottom line (company profitability, potential benefits for the environment, and benefits for the community) to the organization's performance, the research draws its conclusions.

Based on the background above, the purpose of the study; 1. To describe the perception of Sustainable Entrepreneurship in terms of *People, Profit, Planet,* and non-financial business performance (Relationship with suppliers, Net fluctuation of employees and Customer complaints) in an Indonesian University. 2. To examine the

significant effect of People, Profit, Planet's influence on non-financial business performance (Relationship with suppliers, Net fluctuation of employees and Customer complaints) in an Indonesian University.

B. LITERATUR REVIEW

Evolving and emerging challenges of the modern business climate, for example rising sustainability issues, increasingly complex customer demands, and advancements in technology, have raised a new concept of business such as sustainable entrepreneurship and changed the context for performance measurements (Bititci et al., 2012). Kristesen & Westlund (2003) argue that the value of sustainable development, often referred to as the *Triple Bottom Line* have already become one of the essential indicators of a company's non-financial performance and should consequently be mirrored in the company's performance management and measurement systems.

Sustainability is currently perceived by the world population as a global need. Multiple companies embed the concept of sustainable business models within strategy to effectively compete in international markets. To illustrate, automotive companies that want to foster their longevity in the European market must embrace low-carbon emissions since consumers in Europe realize the environmental importance of clean air. Furthermore, environment activists and thepublic alike also demand that coffee companies address the risks of disposable plastics by replacing plastic cups with reusable ones. These examples show that sustainability strategies are necessary for companies to be competitive and looking to the future, businesses with these sustainable approaches create long-term value and increase their probability of surviving in the market.

Not without its critics, the TBL framework is widely used to explain how sustainable entrepreneurs operate (Greco & de Jong, 2017). Balancing the dimension of profit (economic health), people (social equity) and planet (environmental resilience) through entrepreneurial behavior is what identifies a sustainable entrepreneur (Hockerts and Wüstenhagen, 2010). However, there is still a research gap on the relationship between sustainability and performance in entrepreneurship that Greco & de Jong (2017) argue is still not clear enough. This research aims to help bring new perspective to the issue, showing that sustainability can be used to improve a company's performance and also holds value for sustainable commercial progress.

C. METHOD

The research is an explanatory research which explicates the causal relationship between variables through hypothesis testing. Based on its explanations, explanatory research is known to describe the influences of variables examined by statistical testing. Demographic data was presented and composed of 105 participants (e.g. 46 males, and 59 females). Respondents were members of a university business incubator in Indonesia. An online survey-based method was used to collect the data. In order to analyze the data, descriptive statistics applied to the independent variable of

Sustainable Entrepreneurship, included People, Profit and Planet and also the dependent variable of non-financial business performance, demonstrating and overview of the study's outcomes. Also, explanatory research with quantitative methods using statistical techniques such as Mean, Standard deviation, and Multiple Regression analysis were used to conduct the analysis.

D. RESULT AND DISCUSSION

Based on the calculation of the descriptive statistical analysis, it is evident that the average of each variable calculation on People, Profit, Planet and Non-financial Business Performance show that most respondents tend to agree about the implementation of sustainable business practices within their businesses. This is indicated by the results of the overall grand mean, in the interval > 3-4 which states the positive result, meaning the entrepreneur understands the concept of the triple bottom line and its benefit on the business. The analysis shows a positive perception towards sustainable entrepreneurship, implying they also try to apply that principles in their current business.

The effect for each independent variable on the importance of maintaining Relationship with Supplier for entrepreneur was done by utilizing the F-test. From the results of multiple linear regression analysis, we conclude that the dependent variable (Relationships with Supplier) can be significantly influenced by independent variables People (X_1), Profit (X_2), and Planet (X_3). But based on the results of t-test, only Profit sub-dimension has significant effect to Supplier relationship.

The effect for each independent variable on the Net Fluctuation of Employees of a company was done by utilizing the F-test. From the results of multiple linear regression analysis, we conclude that the dependent variable (Net Fluctuation of Employees) can be significantly influenced by independent variables People (X_1), Profit (X_2), and Planet (X_3). But based on the results of t-test, only Profit sub-dimension has significant effect to Net Fluctuation of Employees.

The effect for each independent variable on the Customer Complaints of a company was done by utilizing the F-test. From the results of multiple linear regression analysis, we conclude that the dependent variable (Customer Complaints) can be significantly influenced by independent variables People (X_1), Profit (X_2), and Planet (X_3). But based on the results of t-test, only Planet sub-dimension has significant effect to Customer Complaints.

The effect for each independent variable on the Total Y (Non-financial Business Performance) of a company was done by utilizing the F-test. From the results of multiple linear regression analysis, we conclude that the dependent variable (Non-financial Business Performance) can be significantly influenced by independent variables People (X_1), Profit (X_2), and Planet (X_3). Based on the results of t-test, there are two sub-dimension has significant effect to Non-financial Business Performance named Profit (X_2) and Planet (X_3).

E. CONCLUSION

Based on the study, regarding the perception of entrepreneurs who already realized that environmental conditions are important for future business. After focused research and investigation, profit-driven motives are still considered the most influential variable causing the researchers to suspect whether the entrepreneur had yet implemented the other variables such as people and planet, or not. The reason might be because the entrepreneur thinks that they are not the only party who needs to care about the environment, but it must be supported by government and society. Whereas based on three bottom lines theory, caring for the Environment (in terms of non-hazardous products and services, policies that are responsible for material and energy resources, and green technology) could lead to the success of a business. the researcher hopes for all of the entrepreneur in Indonesia whether they are members of university incubator or not, to see the social problem phenomenon of Indonesia and continue to improve their business become more sustainable.

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