

CHAPTER I

INTRODUCTION

1.1 Background to the research

Entrepreneurship in developing countries is very influential. The role of entrepreneurship could improve one country's economy by creating new workfields and push over the amount of unemployment. Entrepreneurship is source of innovation and creativity that pushes the one country's economy development and growth (UNCTAD, 2004). Brownhilder (2014) said that Entrepreneurship has been identified as the best solution to unemployment, underemployment and poverty among the youths, especially in instances where educated individuals can not find jobs. Therefore the issue of entrepreneurship is recently becoming central issue in developing country, such as Indonesia. Based on the data that conducted by BPS (Indonesia Statistica Bureau), the amount of opportunities with the amount of job seeker is not comparable anymore. In the latest data conducted by Ministry of Labour and Transmigration of Indonesia and BPS in 2015 regarding the workfield, the number of workfields is 833.555 otherwise the number of job seekers is 1.410.428 and the number will always get increase.

The role of university become crucial to change students mind-set from job seeker to job creator. It can be argued that university could be a starting point to choose the next career afterward. This issue appears as something essential and important since the chances to be hired in one's company or institution is getting decrease day in day out. Besides, the job opportunities is becoming more limited for job seeker due to economics condition.

The government of Indonesia has several policies that hopefully pushes the people to be self employed (i.e: entrepreneur/ job creator). Indonesia government through BAPPENAS (Badan Perencanaan dan Pembangunan Nasional) as the institution to plan and create development in all sectors of Indonesia beneath the controlling of the president which also acts in economy sector. In the program that established by BAPPENAS, in its program book, the chapter 4 states about economy development programs which is one of the policies is to ease and push people to be having higher quality of work and able to be self employed (i.e: entrepreneurs). The government of Indonesia has practical action to push the people to be job creator rather than to become job seeker by having BAPPENAS as the tool of action.

A sociologist, David McClelland argued that a country should have at least 2% entrepreneurs of all population to become as wealth country. Ex-Ministry of Cooperatives and SMES- Indonesia 2009-2014, Syarif Hasan, also said that a developed country is a country which has 2% of their total population that work as an entrepreneur (Primartantyo, 2011). Based on survey conducted by BPS in 2016, the percentage of entrepreneurs in Indonesia is about 1.8% of total population (Putra, 2005), then compare to another neighbourhood countries, Indonesia is still underneath Singapore, Malaysia and Thailand which each of them have 10%, 5% and 3 % (Putra, 2015).

The amount of university and diploma graduates unemployment in Indonesia is about 12% of all categorizes graduates unemployment based on the latest data that conducted by BPS (Badan Pusat Statistik) in 2016. The total of unemployment base on the education level graduated in Indonesia base on the data is 7.024.172

people. In the data, the amount of the diploma and university graduates unemployment is about 944.666 people. It shows the number of high educated unemployment is quite high in Indonesia.

West Sumatera area based on the latest survey conducted by BPS, the percentage of university and diploma graduates unemployment is about 8.2% of open employment categorizes of total number of 2.62 million labor force (Wahyudi, 2017). The university and diploma graduates unemployment take over the senior high school graduates unemployment in category of open unemployment. It indicates that the absorption of the skilled workforce is getting decrease recently. The conducted by research Harina (2016) said that in order to decrease the number of unemployment in West Sumatera, the government of West Sumatera has program by giving low interest credit for household scale or Small-Medium Enterprise (SME) through its local state owned bank/ Bank Nagari.

Beside all the programs that supported by government to create the easier system for new graduates to be job creator rather than job seeker, the willing and capabilities of the person is important as well. The program of government would not run as expected unless the people have orientation to be entrepreneur particularly the university graduates.

The research focused on entrepreneurial orientation has paid attention by scholars. Organization encourage the development of entrepreneurial orientation, because they believe there is positive impact for organizational existence. Entrepreneurship also has been identified as the best solution to unemployment, underemployment and poverty among the youths, especially in instance where educated individuals cannot find jobs (Brownilder 2014). It considered as a key driver or economic growth

through increase in manpower contribution to output. Gorman and Hanion (1997) highlights the need or research into what makes an entrepreneur and how the characteristic can be developed through education. Therefore EO has been studied extensively with numerous research instruments for some examples ,see Autio et al. (2001), Engle et al (2010), Louw et al. (1997), Pruett et al. (2009), Reynolds et al. (1994), Segal et al. (2005), Shane (1992) and van Eeden et al. (2005).

Lumpkin and Dess (1996) further clarified the definitional issue in entrepreneurship in their 1996 seminal work by making a distinction between entrepreneurship and entrepreneurial orientation. They suggested that an entrepreneurial orientation (EO) represents entrepreneurial processes that address the question of how new ventures are undertaken, where as the term entrepreneurship refers to the content of entrepreneurial decisions by addressing what is undertaken. Prior research findings related to psychological traits have been corroborative, for example McClelland, (1997) claimed that much of the discussion in entrepreneurship has been concentrated on the individual. (Carland Jr. and Carland 1997: 34) The individual plays a very important role in entrepreneurship, (Bulut, et al. 2010: 560) In addition, Dollinger (1995) claims that every individual's psychological, sociological and demographic characteristics have an effect on a person's abilities to be an entrepreneur. This research is aimed at providing additional insights and understanding to the relationship between psychological traits and entrepreneurial orientation. In the subsections that follow, some of the most researched psychological traits will be discussed and how they are related to entrepreneurial orientation.

Five dimensions of EO autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness were identified. These dimensions represent distinct constructs that may vary independently of each other in a given

context. In prior research studies, achievement need, tolerance for ambiguity, risk taking and locus of control were analyzed with respect to entrepreneurial characteristics and were identified as correlates of being or desiring to be an entrepreneur (Ahmed, 1985; Begley & Boyd, 1987; Bonnett & Furnham, 1991).

Regarding the multidimensional concept of performance we have to point out that its link with EO may depend upon the indicators used to assess performance (Lumpkin and Dess, 1997). The empirical literature reports a high diversity of performance indicators (Combs et al., 2005; Venkatraman and Ramanujam, 1986); a common distinction is between financial and non-financial measures. In this study, we use non-financial measures of Academic performance (Murphy and Callaway, 2004, Murphy et al., 1996 and Gupta and Govindarajan, 1984). Between EO and performance is not a straightforward, positive relationship. While researcher found that the results from econometric analyses indicate that Entrepreneurship education does not have the expected effect on academic performance. Second, another reason to comment on findings with caution is that our models do not control for all relevant independent variables. There are many factors that affect GPA that we do not control for, such as personal factors (abilities, learning strategies, and homework), family situation (parental involvement, siblings, and living situation) and school factors (peers, school size, and teaching methods other than EE). On the positive side, the chosen background variables were relevant (Osakede *et al.*, 2007(6:19)). The current research is aimed to investigate role of Entrepreneurial Traits in the relationship between Entrepreneurial Orientation and Academic Performance in higher education context.

1.2 Problem Statements

The research questions addressed in this study are:

1. How does student's academic performance influence the entrepreneurial orientation on study in Andalas University?
2. How does the entrepreneurial traits influence the entrepreneurial orientation on study in Andalas University?
3. How does entrepreneurial traits moderate relation between student's academic performance and entrepreneurial orientation on study in Andalas University?

1.3 Objectives of the Research

Based on the problem statement above, the goal of this study is to obtain data and information that is appropriate for analyzing the data. Particularly, the objectives of this research are:

1. To study and analyze the student's academic performance will affect the entrepreneurial orientation on study in Andalas University
2. To study and analyze the entrepreneurial traits will affect the entrepreneurial orientation on study in Andalas University
3. To study and analyze the entrepreneurial traits moderate relation between the student's academic performance and the entrepreneurial orientation on study in Andalas University

1.4 Contributions of the Research

This research is contributed on:

1. This research could be reference for next time researcher and could be an information on the advanced knowledge in the future. This research is also used by researcher to accomplish thesis for final assignment of graduation.
2. It is could be used to train and develop other references and add some insight and knowledge related entrepreneurial orientation, academic perormance, and entrepreneurial traits.
3. The result of this research could make the firm realize in what factor that can increase the firm performance. The suggestion of this result can be the measurement of the increasing firm performance.

1.5 Scope of the research

The research use entrepreneurial orientation as independent variable and student's academic performance as the dependent variable, also entrepreneurial traist as the moderating variable, upon doing this research, there are some limitation that should be taken into a notice in terms of variable and object of the research. The researcher limits the research context by focusing on early adults, especially students at Andalas University.

1.6 Outline of the Research

In order to make it easier and make moderate the forwarding of context for this research, it is divided into five chapter, those are:

Chapter I Introduction. Containing the background of the problem, the formulation of the problem, the aim of the research, the benefits of research, the scope of

research and systemic writing.

Chapter II Literature Review. Containing the theoretical foundation of the basic concept of entrepreneurial orientation, academic performance and entrepreneurial traits.

Chapter III Research Methodology. Containing about the population and sample research, the technique of data collection, research variables and operational definitions, testing data and data analysis techniques.

Chapter IV Result and Discussion. Explaining about surveys result that consist of respondent characteristics, frequency of distribution of each variable, validity test, reliability test, and discussion about analysis the effect Entrepreneurial Traits moderate relation between Academic Performance and Entrepreneurial Orientation on study in Andalas University

Chapter V Conclusion, Limitation, and Recommendation. On this chapter, researcher will explain about conclusion of research, suggestion of research, limitation of the research and recommendation for further research.

