Determinants of the Social Entrepreneurial Intention of Young Entrepreneurs in Indonesia

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This study aims to investigate the determinants of social enterprise intention on young entrepreneurs in Indonesia. This study is needed due to the lack of research related to social-oriented start-up entrepreneurs. From the future perspective, start-up businesses in Indonesia have become the main part of the national economy support. This study used a survey method of 246 respondents on young entrepreneurs who start social-oriented businesses (start-ups) in Indonesia. Using Structural Equation Modelling (SEM) analytical method, research findings revealed that entrepreneurs who have high empathy and moral obligation affect high social entrepreneurial intention. Moreover, empirical evidence indicated that prior experience by young entrepreneurs could increase the intention to start doing business in the social field. These findings contribute to the government in improving the economic growth through entrepreneurship. In addition, the development and empowerment of young entrepreneurs as future social entrepreneurs would be one way of increasing the sustainability of social entrepreneurship and of economic improvement.

Key words: Social Entrepreneurial Intention, Social Support, Prior Experience, Empathy, Moral Obligation.

Introduction

Discussion on the entrepreneurship engagement is quite complex to economic growth. The differences and various approaches to promoting entrepreneurship have been adopted by multiple institutions, with company policies varied from each country (Awatara et al., 2018). Academics and researchers currently highlight the relevance of entrepreneurship to economic development. Globally, awareness of governments around the world also has had a positive impact on the creation of new businesses, which can ultimately increase employment,
competition in the benefits that small companies can bring to the market (Scase, 2000). As a result, entrepreneurship, in addition to providing benefits in meeting individual needs, ultimately has an impact on the social and economic growth of the country (Rokis et al., 2018).

The issue of social entrepreneurship is one of the emerging fields that can be characterised by literature gaps, and there is still a lack of consensus in the definition, a framework and empirical evidence (Mair & Marti, 2006; Granados et al., 2011). An important point is innovations designed to improve the social welfare supported by entrepreneurial organisations that are at the essence of social entrepreneurship (Nicholls, 2006). Moreover, Littlewood and Holt (2015) suggest that entrepreneurship with social goals is keeping increasing. Social entrepreneurship has combined social and economic goals as the main driving force in a business transformation. Social entrepreneurship is not a new phenomenon (Pless, 2012), but has been marginalised for years because it is a non-profit business (Urban & Teise, 2015). Social entrepreneurship is unable to define because it depends on the context while using the term. Social entrepreneurship provides with an innovative solution to solve most of the social challenges (Ayob et al., 2013). Social entrepreneurship does not increase profit, but create systemic alteration through value-added by trying to remove social problems such as an increase in unemployment, poverty and various social diseases that disturb community (Austin et al., 2006; Ayob et al., 2013). According to Kringe (2015), social entrepreneurship offers potential alteration by creating a focus on sustainability, accountability, and business learning, with the diversity and complexity of social values that can create opportunities to change. Therefore, identifying and utilising potential on young entrepreneurs who focus on social entrepreneurship, become crucial in developing countries (Firsova & Azarova, 2016).

In the Indonesia case, the field of social entrepreneurship has developed in the past few years (Koo, 2013). Mustapha et al. (2008) strongly suggest that social entrepreneurship in Indonesia mostly focuses on the informal sector of microenterprises as well as microfinance. Other evidence shown by Idris and Hijrah Hati (2013) strongly indicate that in Indonesia, the development of social entrepreneurship depends on several factors; here is a tendency towards the empowerment of indigenous socio-economic entrepreneurship and social business identity involved in society and Islam. A number of previous studies have also identified the need for more extensive studies on social entrepreneurship, especially in Asia, which requires a holistic understanding of settings of social entrepreneurship fields. This refers to local and international contexts (Chell et al., 2016; Liang et al., 2017; Ip et al., 2017).

The research trend towards the importance of start-up businesses in the global economy is increasing and becoming competitive (Kim et al. 2018). Cantamessa et al. (2018) stated that the entrepreneurs’ perspective holds an important role in the success of start-up businesses.
The potential cognitive orientation of entrepreneurs has a significant impact on their willingness to survive in entrepreneurial activities and to face the problems. However, research on these fields are rare (Kim et al., 2018). Furthermore, the revolution of global start-up keeps developing. Capital investment in start-up companies reached a peak at $140 billion in a decade in 2017. The total of value creation from global economy start-ups from 2015 to 2017 reached $2.3 trillion, increasing by 25.6% from 2014 to 2016 (Global Startup Ecosystem Report, 2018). This research is expected to be able to resolve the gap about social entrepreneur intention on start-up entrepreneurs. In 2018, there was a significant increase in the number of start-ups in Indonesia, its more than 1000 number of start-ups and the prediction would increase by 5% in 2019. In fact, Indonesia deserves to be proud of several unicorns which have been created. In Southeast Asia, Indonesia has the highest number of start-up unicorns. Public awareness of the industry 4.0 era has created a high interest in the digital economy industry which the community as a human resource in Indonesia has been able to make good opportunities to bring up their existence so born start-up founders (Lilifly et al., 2019; Alkhateeb, 2019; Samimi & Sahragard, 2018).

According to Ajzen (1991), the theoretical basis for social entrepreneurial intentions is the Theory of Planned Behaviour (TPB). TPB has been adopted widely to understand the antecedents of behavioural intention, the attitude towards behaviour, subjective norms, and behavioural control that has been experienced. Based on TPB, Ajzen (1991) and Mair and Noboa (2006) develop a theoretical framework of social entrepreneurial intentions by suggesting antecedents such as empathy, moral obligation, self-efficacy, and social support. Besides these four factors, Hockerts (2017) states that social entrepreneurial intentions can also be explained by prior experience and enrolment in social entrepreneurship electives. Hence, this study aims to examine several factors affecting the social entrepreneurial intention on young entrepreneurs who start up businesses in Indonesia. The present study expects social support, prior experience, empathy, and moral obligation affect the social entrepreneurial intention to start social-oriented businesses (start-ups) in Indonesia. This study carries out the setting of social-oriented start-up businesses, which refers to the definition from the previous study (Yun, 2017) that the start-up is an action or process of starting a new organisation or business venture. Therefore, start-up refers to a company that has not been long operating. These companies mostly are newly established and in the stage of development and research to find the suitable markets. Moreover, start-up development in Indonesia is quite fast. Every year or even every month, many new start-up owners are popping out. According to daily social.net, there are at least more than 1,500 local start-ups in Indonesia at present. Meanwhile, the potency of internet users in Indonesia is continually increasing year after year as an opportunity to set up a start-up. Research into social entrepreneurship on start-up entrepreneurs are essential to be done because the social business has an increasing role to play in the contemporary community.
Literature Review

Social Entrepreneur and Social Entrepreneurial Intention

Social entrepreneurship is defined as an evaluation of construction, and opportunities created for social transformation, changes that will improve social welfare and are carried out by visionary, dedicated individuals (Mair and Noboa, 2006; Mulyaningsih & Veland, 2017). Roberts and Woods (2005) and Bornstein (2004) also highlight that a social entrepreneur is someone with new ideas to overcome some of the major social problems, who endlessly pursue their vision, will not give up until they spread their ideas as they might be able to realise their plan. Previous literature on social entrepreneur intention (Bird, 1988) showed that an individually mental orientation that leads to the conception and implementation of the uniqueness of the business concept. These individual beliefs for making a company and determined to set up a business in the future in accordance with the plans that have been made (Thompson, 2009). In the context of social entrepreneurship, the intention on entrepreneurship is one's desire and belief to establish a social enterprise (Tran & Von Korflesch, 2016). Meanwhile, social entrepreneur intention can be defined as the assuredness and self-preparation done by someone to develop and construct a new social business (Liñán & Fayolle, 2015). Social entrepreneurship constructs new social businesses not for entertainment, but more like a career decision regarding profound problems faced by a nation that require sympathy and realistic solutions (Ip et al., 2017). Someone will involve himself/herself in social businesses if they have the ability to do it successfully and have the strong intention to reach the results they would get with these social businesses (Hockerts, 2017).

Start-Up Business

Most of entrepreneurs have a major challenge when they are starting a business and developing it into a (Spiegel et al., 2015). A start-up business, according to Low and MacMillan (1988) and Yun (2017), is a new business initiated by entrepreneurs by combining ideas and resources. Ries (2011) explains that a start-up is an organisation designed for creating new products or services in an uncertain condition, including new business units from governments, big companies, non-profit organisations, and other businesses that might be included in the start-up category. Alvarez et al. (2013) state that the study of the process by which opportunities are formed is the focus for entrepreneurial research; this is due to mixed and unclear results in the literature (Hulbert et al., 2015).
Prior experience regarding social problems in social sector organisation is able to yield a close relationship with the type of social problems (Hockerts, 2017). Prior experience can be the triggers and guides for potential entrepreneurs because their experiences can encourage them to start a business (Keat et al., 2011). Prior experience enables entrepreneurs to understand what makes a new business successful or unsuccessful, to identify the role model, and to develop the confidence to establish a company (Shumate et al., 2014). Dyke et al. (1992) state that people make decisions and do business based on their business in the past. Entrepreneurs start doing business regarding the things they have done before. Therefore, the proposed hypothesis is as follows:

**H1: Prior experience positively affects empathy on young entrepreneurs**

Empathy is an important factor that needs to be considered in social entrepreneurship (Mair & Noboa, 2006). This is an important tool for social entrepreneurs to create a real impact on society (Drayton, 2002). Mair and Noboa (2006) identify empathy as the proxy for attitude towards behaviour. Empathy reflects an attitude towards behaviour. Empathy can be understood as an individual ability to appreciate other people’s feelings (Preston et al., 2007) or the tendency to respond other people’s conditions emotionally and compassionately (Goetz et al., 2010). In the context of a social entrepreneur, there are two categories of empathy that are cognitive empathy (the ability to understand other people’s emotional condition) and affective empathy (the tendency to react towards other people’s emotional condition). Wood (2012) indicates empathy as the primary stimulant to support social business and innovation. Besides that, entrepreneurs who have empathy mostly are successful in motivating and leading employees, helping employees overcome stress at the workplace, obtaining a higher income, understanding consumer desires, and achieving higher innovativeness (Humphrey, 2013). Thus, empathy is a very important behaviour for social entrepreneurs to create social values within organisations (Kraus et al., 2014). Based on the discussion above, the hypothesis posits that:

**H2: Empathy positively affects social entrepreneur intention on young entrepreneurs**

**Relationship between Prior Experience, Moral Obligation and Social Entrepreneur Intention**

Prior experience refers to social problems from individual experience or the involvement who work for social companies or organisations that deal with social problems (Hockerts, 2017; Mulyaningsih & Veland, 2017). This prior experience also predicts the intention of social entrepreneur and behaviour (Ernst, 2014). Hockerts (2017) state that prior experience has a
significantly positive impact on social entrepreneurial intention.Besides, the experience accumulation would lead to raise awareness of social problems, which in turn may lead to the establishment of social enterprises (Corner & Ho, 2010). Thus, someone who has prior education and prior experience might also tend to engage in social entrepreneurship (Shumate et al., 2014). Several previous studies also documented that when a person has prior family exposure (Carr & Sequeira, 2007; Chlostaa et al., 2012) or work experience (Kautonen et al., 2010), the entrepreneurial intention would increase (Hockerts, 2017).

**H3: Prior experience positively affects the moral obligation on young entrepreneurs**

Moral obligation is a contribution to solving social problems because of the moral norms he feels (Hockerts, 2015). Emphasize moral obligation through increasing social awareness and increasing responsibility prosocial intentions and behaviour (De Groot & Steg, 2009). In addition, Bornstain (1998) strongly emphasises that social entrepreneurs have high moral fibre (Bornstein, 1998). Thus, social entrepreneurs also need to show moral intelligence and personal moral values (Hemingway, 2005; Plaskoff, 2012). Yiu et al. (2014) also state that individual moral values are an important attribute of social entrepreneurs. Hockerts (2015) by referring to Haines et al. (2008) identifie moral obligation intention to be positioned as the proxy to predict social entrepreneurial intention. Therefore, the hypothesis proposed is:

**H4: Moral obligation positively affects social entrepreneurial intention on young entrepreneurs**

**Relationship between Social Support and Social Entrepreneurial Intention**

Social support can be considered as expected assistance and supports from closest friends and the environment to become social entrepreneurs. These supports make people believe that they have adequate and more feasible competency to pursue their career as entrepreneurs (Liñan & Santos, 2007). Hockerts (2017) shows that perceived support (such as access to capital, the availability of business information) enables someone to make the decision of starting a new business. This perceived support has a significant impact on entrepreneurship as a career choice. In the condition of social entrepreneurs receiving social support or social connection from other people who have diverse backgrounds, it might improve their firm performance (Stam et al., 2014). The proposed hypothesis is the following:

**H5: Social support positively affects social entrepreneurial intention on young entrepreneurs**
Methodology

a. Data and Respondent

This study is a positivist paradigm by survey method. It used primary data through questionnaires compliance. Distributed questionnaires contained 15 items by adopting items from Hockerts (2017), Kavoura and Andersson (2016), and Ip et al. (2017). Questionnaires were distributed through e-mails and social media. The questionnaire used a Likert scale, at intervals 1 (one) to 5 (five). Then all data were processed and analysed using a statistical approach. Population in this research was all young start-up business entrepreneurs from all over Indonesia. Sampling technique in this research was purposive sampling, with the several criteria, 1) Company age (start-up) is less than three years, 2) the number of employees is less than 20 persons, it means that the company is still in the developing stage, operating through the website, and social-oriented business. Survey method was done in Indonesia on young entrepreneurs. The total number of respondents in this research was 246 respondents.

b. Definition of Variables

<table>
<thead>
<tr>
<th>No</th>
<th>Variables</th>
<th>Definition</th>
<th>Prevailing Literature</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Prior Experience</td>
<td>Prior experience refers to social problems from individual experience or involvement who work for social companies or organisations that deal with social problems</td>
<td>Hockerts (2017), Mulyaningsih and Veland (2017).</td>
</tr>
<tr>
<td>2</td>
<td>Empathy</td>
<td>Empathy is defined as a multidimensional concept that includes cognitive and affective aspects. The first shows the ability to understand the emotional state of others, and the last is to refer to someone's affective reactions to other people's emotions. Empathy consists of two dimensions, namely disposition and situational. This personality is the key characteristic and element that distinguishes social entrepreneurs from commercial entrepreneurs</td>
<td>Davis (1983); Bacq and Alt (2018), Jarin (2019).</td>
</tr>
<tr>
<td>---</td>
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<tr>
<td>3</td>
<td>Social Support</td>
<td>Social support is critical because it helps individuals to achieve results from certain social entrepreneurs. Identifying the feasibility of social entrepreneurs also considers the support of others including their family and friends</td>
<td>Bornstein (1998), Drayton (2002), Hockerts 2015.</td>
</tr>
<tr>
<td>4</td>
<td>Moral Obligation</td>
<td>Moral obligation is defined as a sense of individual responsibility to carry out activities aligned with social norms when facing moral challenges. This feeling is felt when someone is morally obliged to contribute to solving social problems because of the perceived moral norms</td>
<td>Gorsuch and Orberg (1983), Beck and Ajzen (1991), Hockerts (2015).</td>
</tr>
<tr>
<td>5</td>
<td>Social Entrepreneur Intention</td>
<td>The intention of the social entrepreneur is defined as the desire to carry out certain actions that can tend to start new businesses or lead to creating new core values in established organisations. In addition, it can be described as an individual intended to create a new social enterprise</td>
<td>Thompson (2009), Khuong and An (2016), Tran ad Von Korflesch (2016), Ip et al. (2017).</td>
</tr>
</tbody>
</table>
c. **Analysis Method**

The analytical method to examine the research model is the statistical analysis method with Structural Equation Model (SEM). SEM is more appropriate to analyse complex variables; it examines variables that cannot be observed or latent variables, and strengthen the suitability of the overall model (Gudono, 2012). SEM is a more appropriate method for multivariate analysis with many variables. The rules that apply to SEM methods are that researchers must use a minimum of 200 variables with a minimum amount of data (Kock & Hadaya, 2018). The structural model represents the relationship between latent variables. The model testing is done to answer the hypotheses H1, H2, H3, H4, and H5.

**Findings & Discussion**

Data analysis is processed and uses a statistical approach. Hypothesis testing uses the structural equation modelling (SEM) from the calculation of regression weights through the value of causality critical ratio (CR), and the calculation of standardised indirect effects. The testing using AMOS statistical technique can be seen in Table 2. The following are the test results:

**Table 2: The Goodness of Fit Indices Criteria Evaluation**

<table>
<thead>
<tr>
<th>Goodness of fit model</th>
<th>Index of goodness of fit model</th>
<th>Critical Value</th>
<th>Result</th>
<th>Model evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Absolute fit measures</strong></td>
<td>chi-square statistic (χ² atau CMIN)</td>
<td>small</td>
<td>310.565</td>
<td>Moderate</td>
</tr>
<tr>
<td>GFI</td>
<td>≥ 0.05</td>
<td>0.790</td>
<td>Good</td>
<td></td>
</tr>
<tr>
<td>RMSEA</td>
<td>≥ 0.90</td>
<td>0.961</td>
<td>Good</td>
<td></td>
</tr>
<tr>
<td></td>
<td>≤ 0.08</td>
<td>0.082</td>
<td>Good</td>
<td></td>
</tr>
<tr>
<td><strong>Incremental fit measures</strong></td>
<td>AGFI</td>
<td>≥ 0.90</td>
<td>0.900</td>
<td>Good</td>
</tr>
<tr>
<td>CFI</td>
<td>≥ 0.90</td>
<td>0.915</td>
<td>Good</td>
<td></td>
</tr>
<tr>
<td>** Parsimonious fit measures**</td>
<td>Normed χ² (CMIN/DF)</td>
<td>1 ≤ Normed χ² ≤ 5</td>
<td>3.742</td>
<td>Good</td>
</tr>
</tbody>
</table>

Based on the results in Table 2, it can be seen that the used model was accepted, since the chi-square value obtained was 310.565, indicating that the structural equation model was quite good. The test of the hypothesis on the causal relationship between variables with path coefficients is presented in Table 3.
Table 3: The test results of path coefficient

<table>
<thead>
<tr>
<th>Causal path</th>
<th>Estimate</th>
<th>C.R.</th>
<th>P-value</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior_experience → Empathy</td>
<td>0.691</td>
<td>10.320</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td>Empathy → Social_Entrepreneurial_Intention</td>
<td>0.315</td>
<td>3.415</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td>Prior_experience → Moral_Obligation</td>
<td>0.711</td>
<td>10.284</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td>Moral_Obligation → Social_Entrepreneurial_Intention</td>
<td>0.470</td>
<td>4.868</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td>Social_Support → Social_Entrepreneurial_Intention</td>
<td>0.282</td>
<td>2.360</td>
<td>0.018</td>
<td>Supported</td>
</tr>
</tbody>
</table>

The alternative hypothesis testing was done by referring to CR value. CR value is significant if the value is larger than 2 (CR ≥ 2). By that criterion, it can be seen that all paths were significant, meaning that all submitted hypotheses (H1, H2, H3, H4, and H5) were supported.

According to the results in Table 3, relationship between prior experience on empathy and moral obligation was significant at the 0.01 level. Statistic test results showed that hypotheses 1 & 3 were supported. It means that prior experience would affect social entrepreneurial intention with empathy and moral obligation. All hypotheses submitted in this research were accepted. The impact of prior experience on empathy was 69.1%. This shows that entrepreneurs who have worked voluntarily for social organisations and involved social problems have relatively high empathy. Entrepreneurs who have experiences on social activities will think about socially disadvantaged groups, and try to place themselves, and develop compassion towards socially disadvantaged and marginalised groups. Entrepreneurs who have experiences on social activities before have the ethical responsibility to help disadvantaged people and morally obliged to help them. The result of this research supports (Hockerts, 2017), Shumate et al. (2014), and Mair and Noboa (2006) who stated that prior experience has a positive impact on empathy and moral obligation of entrepreneurs that eventually will increase the intention to be social entrepreneurs.

Result findings on hypothesis H2, the relationship between empathy and social entrepreneurial intention are explained the positively significant effect denoted significance at 0.01 respectively or supported the hypothesis. The impact of empathy on social entrepreneurial intention was 31.5%. This research supports Hockerts (2017), Goetz et al. (2010), and Wood (2012) who stated that entrepreneurs who have empathy are able to motivate and lead their employees, so empathy becomes one important factor for social entrepreneurs to create social values within their organisations (Kraus at al., 2014). The test
of hypothesis H4, also explained the positively significant effect at the 0.01 level. This result supported the alternatives of hypothesis H4. This result revealed the impact of moral obligation on social entrepreneur intention was 47.0%, indicating that entrepreneurs who have a high sense of social responsibility will increasingly intend to become social entrepreneurs in start-up businesses. This research supports Hockerts (2017), Yiu et al. (2014) who stated that individual moral values are an important factor for social entrepreneurs. Haines et al. (2008) also show that moral obligation intention is an antecedent to predict social entrepreneurial intention.

The result of hypothesis H5 showed that the relationship between social support and social entrepreneurial intention was positively significant. Other findings showed that the impact of social support on social entrepreneurial intention was 28.2%, indicating that the more support from the social environment towards start-up entrepreneurs to have a concern in social behaviour, then the more adequate and feasible competency to pursue a career in the field of social. Social support is shown by social environment support to start an organisation who helps socially marginalised people, and investor support for an organisation who wants to solve social problems. This result supports findings of Liñán and Santos (2007), Hockerts (2017), stating that perceived support enables someone to make the decision of starting a new social business and has an impact on their entrepreneurship career choice.

**Conclusion**

This research investigates several factors affecting social entrepreneurial intention on start-up entrepreneurs in Indonesia. The findings in this study reveal that model testing of social entrepreneurial intention antecedents is accepted. The result shows that social entrepreneur intention is significantly affected by empathy, moral obligation, and social support. It means that empathy, moral obligation, and social support on young entrepreneurs will significantly create a massive impact on social entrepreneurship in the Indonesia context. Moreover, this study provides evidence that prior experience of young entrepreneurs increases the intention to start doing business in the field of social. These findings contribute to the government in improving the economic growth through entrepreneurship. In addition, the development and empowerment of young entrepreneurs in forwarding social entrepreneurs would be increasing the social entrepreneurship in a sustainable way as one of economic improvement. Further research should add several variables that are able to increase the intention to start a social-oriented business.
REFERENCES


