Entrepreneurial Quality of Tionghoa Ethnicity and Malay Ethnicity: Are There Any Differences?

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ABSTRACT

Objective – This study aims to analyse the differences of entrepreneurial quality between Tionghoa entrepreneurs and Malay entrepreneurs. In this study, quality was measured by the need for achievement, locus of control, risk-taking behaviour, perseverance, independence, creativity, and knowledge.

Methodology/Technique – The data in this research was collect using self-report questionnaires which were distributed to 60 Tionghoa respondents and 60 Malay respondents. The data then was then tested using a T-test.

Findings – The T-test analysis shows that there are significant differences between Tionghoa entrepreneurs and Malay entrepreneurs.

Novelty – This study investigates the differences in entrepreneurial quality between Malay and Tionghoa entrepreneurs in the province of West Kalimantan, Indonesia, whereas previous studies have focused on other countries.

Type of Paper: Empirical.

JEL Classification: M10, M19.

Keywords: Entrepreneurial Quality; Malay Ethnicity; Thionghoa Ethnicity; Need for Achievement; Locus of Control; Risk-taking; Perseverance; Independence; Creativity; Knowledge.

1. Introduction

The business sector is essential for the enhancement and economic growth of a country. The contribution of that sector not only improves national income per capita, but also supports the creation of jobs, particularly in developing countries. Indonesia is one such developing country that supports the development of micro, small and medium enterprises. Most businesses in Indonesia were established by Tionghoa ethnic groups, globally known as the Chinese society. However, the Tionghoa population in Indonesia is less than 4% of the entire Indonesian population. However, they do hold at least 50% of the domestic businesses in Indonesia (Poutziouris, 2002). This is particularly true in the West Kalimantan province.

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The West Kalimantan population is extremely diverse in its ethnic groups. The major ethnic group is Malay (33.75%) and Dayaknese (33.75%), followed by Tionghoa (10.01%), Javanese (9.41%), Maduranese (5.52%), Bugis (3.29%) and Sundanese (1.21%). These numbers demonstrate the lead role that the Tionghoa population has taken in the business sector of West Kalimantan compared to the other ethnic groups, although several Malays have also become entrepreneurs. Entrepreneurs of Tionghoa ethnicity are viewed as more successful than entrepreneurs from other ethnic groups; this is because many of the Tionghoa businesses have continued to operate for substantial periods of time.

The success of an entrepreneur is determined by individual qualities. Rani (2013) states that entrepreneurial qualities play a significant role in the development of entrepreneurial quality. Many researchers have identified that entrepreneurial quality refers to the valuable and significant characteristics that should be possessed by entrepreneurs (Cumplido & Linan, 2007; Shuhairimi et al, 2009).

Several researchers have also connected the development of entrepreneurship with ethnicity cultures (Lee & Peterson, 2000). Some studies claim that culture can be beneficial in the development of entrepreneurial orientation. This relates to the differences between cultural background and business experience. An individual's culture has a significant influence on their organizational capability (Deresky, 2006), to improve commitment and loyalty (Lee & Yu, 2004) and to improve performance (Kesapidou & Varsakelis, 2002). Shihab, et. al. (2008) creates a conceptual work based on the entrepreneurship culture that contributes toward knowledge by testing national culture, corporate culture, and entrepreneurial orientation. From those perspectives, corporate performance of Indonesian entrepreneurs from Tionghoa ethnicity is markedly different to that of Indonesian natives.

2. Literature Review

2.1. Entrepreneurial Quality

Entrepreneurial quality includes personal characteristics such as motivation to achieve, entrepreneurial orientation, creativity, imagination and innovation, communication skills, negotiation skills and skills of persuasion. It also includes managerial capability such as problem solving abilities, decision making skills, organization and supervision, analytical capability such as calculating and presenting data, carrier skills such as individual value and awareness, carrier planning techniques and self-development skills, computer technical skills and business related skills, and attitude towards the needs and consequences of others, and perception and flexibility (Lau, 2002; Baum, 2001).

This research considers the quality of entrepreneurs measured by their need for achievement, locus of control, risk taking personality, perseverance, independence, creativity, and knowledge (Rani, 2013). According to McClelland, a person who is highly motivated to achieve is likely to have a strong willingness to achieve challenging tasks (Kline, 2009). The satisfaction of achievement in entrepreneurs is one indicator of a high quality entrepreneur. Ryan (2011) concludes that there is a significant correlation between the fulfilment of achievement and entrepreneurial capability.

On the other hand, locus of control refers to an individual's belief that they can control events influencing other factors. Locus of control consists of an internal locus of control and external locus of control. An individual that has high internal locus of control believes that success is as a result of persistence. Meanwhile, individuals with a high external locus of control believe that there are significant external factors influencing their lives which are beyond their control (Ngwoke, 2013). Locus of control is thought to have a positive and significant affect on the development of an entrepreneur. Halim, et. al. (2011) states that the application of locus of control in the development of entrepreneurial personality is the most effective way to develop successful entrepreneurial behaviour and attitudes to development and growth.

Successful entrepreneurs recognize that not all things are within their control. This lends itself to the fact that entrepreneurs are more likely to be willing to take risks (Burns, 2005). A propensity for risk taking refers to the readiness of entrepreneurs to face uncertainty. This enables them to handle risk and take risks that they

are able to manage (Chell, 2008). Entrepreneurial perseverance is one of the determinants of investors' decisions to invest (Chen, et al, 2009). Perseverance is the persistence of an individual to accomplish the things they set out to achieve. Every entrepreneur must have this quality. Further, independence is another important quality of entrepreneurs. Individuals with high levels of independence like to work independently, have low regard to rules, and make their own decisions (Tajeddini & Mueller, 2008).

Creativity is another important factor. An entrepreneur often has to think out of the box. Hence, entrepreneurs must be creative (Rani, 2013). Schumpeter (1934) points out the idea that successful entrepreneurs are able to identify rare opportunities around them when they have the capacity to embrace creativity (Chea, 2008). Knowledge is also a significant factor in the development of entrepreneurs; this includes knowledge of the market, consumer issues, technology and other factors that contribute to entrepreneurial development.

2.2. Entrepreneurship Among Various Ethnicities

Several studies have compared the entrepreneurship of different ethnicities. Jamil, et al (2014) examined entrepreneurial passion, motivation for achievement and behaviour toward entrepreneurs of Chinese and Malay ethnicity in Malaysia. The results of that study show that there are significant differences between both ethnicities in terms of passion, objective, creativity, ambition and need for encouragement. Ahmad et al (2013) identifies the differences in entrepreneurial attitude, subjective norms, behaviour control and the likelihood to pursue entrepreneurship among those three ethnicities. The results of that study conclude that there are similarities in entrepreneurial attitude, subjective norms, behaviour control and likelihood to pursue entrepreneurship. These factors contribute to diversified ethnicity in Malaysia. Economic disparity can inhibit an individuals' passion to improve the stability, peace and integrity of a nation. Shihab, et al (2008) explains the differences in performance between companies that are owned by Tionghoa entrepreneurs in Indonesia. The identification of Hofstede cultural dimensions concludes that national culture and organisational culture have a direct influence on entrepreneurial orientation, in this case from an autonomous perspective, competitor aggression, risk taking behaviours and innovation.

This research hypothesizes that there are differences in entrepreneurial quality between entrepreneurs of Tionghoa ethnicity and Malay ethnicity.

3. Research Methodology

3.1. Research Sample

The respondents consist of 60 entrepreneurs of Tionghoa ethnicity and 60 entrepreneurs of Malay ethnicity. The respondents were selected based on the following criteria: medium and small enterprise owners in the Pontianak Region, West Kalimantan Province with more than 3 years' experiences running a business. These criterion was chosen based on the definition of successful entrepreneurs adopted from previous research (Taormina & Lao, 2007) which states that successful businesses were those that have operated for more than three years.

3.2. Data and Source of Data

The data was collected by distributing self-report questionnaires to 60 entrepreneurs from Malay and Tionghoa ethnic groups. The data was also supported by secondary data taken from the literature study.

3.3. Measurement of the Variables

The need for achievement and the independent measurement used were adapted from research by Steers and Braunstein (1976). Meanwhile, the locus of control measurement used in this study was adapted from

Levenson (1974) and the propensity for risk taking instrument was adapted from Jackson (1976). Further, perseverance was adapted from Duckworth, et al (2007), creativity was adapted from Bolton and Lane (2012) and knowledge was adapted from Ko and Butler (2006).

3.4. Data Analysis Method

The data in this research was analyzed using an independent T-test. The test was used to determine whether two samples that were not correlated had a different average value. Independent The T-test was conducted by making a comparison between two average values with different standard errors from the average of the two samples.

4. Results

4.1. Exploratory Factor Analysis

Construct validity was measured using exploratory factor analysis (EFA). According to Sit, et. al. (2009), a loading of 0.5 and above is considered adequate. All items achieved a factor loading greater than 0.5.

4.2. Reliability Analysis

A Cronbach alpha test was conducted on all seven factors to test their reliability. This was to determine the internal consistency of the scale used. All of the factors had an alpha coefficient value of greater than 0.6, which is an acceptable level of reliability (Hair, et al., 2006).

4.3. Descriptive Statistics and Analysis

The assumption of the independent T-test is that the data must be normally distributed. Based on the Shapiro Wilk output, the significance value of the Tionghoa ethnicity groups and Malay ethnicity groups were greater than 0.05, which concludes that the data was normally distributed.

Table 1. T-Test

Variable	Ethnicity	Mean	Levene's Test			Sig. (2-tailed)	Mean Difference
			F	Sig.			
Need For Achievement	Tionghoa	4.5100	3.534	0.063	Equal variance assumed	.000	1.23203
	Malay	3.2780					
Locus Of Control	Tionghoa	4.4833	1.606	0.208	Equal variance assumed	.000	1.12740
	Malay	3.3559					
Risk Taking	Tionghoa	4.6300	0.650	0.442	Equal variance assumed	.000	1.47746
	Malay	3.1525					
Perseverance	Tionghoa	4.5417	0.926	0.338	Equal variance assumed	.000	1.38489
	Malay	3.1568					
Independent	Tionghoa	4.5750	1.648	0.202	Equal variance assumed	.000	1.38856
	Malay	3.1864					
Creative	Tionghoa	4.5375	1.640	0.203	Equal variance assumed	.000	1.35106
	Malay	3.1864					
Knowledgeable	Tionghoa	4.5458	0.479	0.490	Equal variance assumed	.000	1.37634
	Malay	3.1695					

Table 1 shows the statistical variable and independent T-test using the SPSS software. The mean value demonstrates that entrepreneurial quality of Tionghoa ethnicities is higher than their Malay counterparts. In using Leven's test, it can be concluded that all variables that have the same variant have to use an equal variance assumption. Based on the output of the independent t-test, all variables obtained a significance value (2-tailed) of <0.05 . Therefore, there are differences between entrepreneurial quality among Tionghoa entrepreneurs and Malay entrepreneurs.

5. Discussion

The T-test analysis concludes that there are significant differences in the need for achievement among Malay and Tionghoa entrepreneurs. These result are consistent with research by Jamil, et al. (2014) that states the need for achievement among Malay and Chinese entrepreneurs is significantly different. There are also significant differences in locus of control. Mueller and Thomas (2000) conclude that there are differences in locus of control of entrepreneurs from 9 different countries. An individual's locus of control within the field of entrepreneurship may lend itself to increased success with respect to the continuity and sustainability of a new business, particularly in the beginning years (Kroeck, et al., 2010).

The study also identified differences in risk taking characteristics among Malay and Tionghoa entrepreneurs. This conclusion is consistent with the findings of Hasan and Wafa (2012) who state identified the same difference between Malay and Chinese entrepreneurs in Malaysia. The majority of businesses that survive in the West Kalimantan Province are owned by Tionghoa entrepreneurs. Children of Tionghoa ethnicity are brought up in an environment in which they are encouraged to pursue entrepreneurship (Wang, 2012).

There are also differences in creativity between Tionghoa and Malay entrepreneurs. An entrepreneur often has to think out of the box. This is the reason why an entrepreneur must be creative (Rani, 2013). A majority of successful entrepreneurs are able to identify opportunities that cannot be seen by others. The results also identified differences in knowledge between Tionghoa and Malay entrepreneurs. These results are inconsistent with previous research which states that there are no differences in knowledge between Malay and Chinese entrepreneurs (Jamil, et al., 2014; Ahmad, et al., 2013; Shihab, et al., 2008).

6. Conclusion

The results of this study show that there are significant differences in the need for achievement, locus of control, propensity to take risks, perseverance, independence, creativity, and knowledge between Malay and Tionghoa entrepreneurs. This research contributes to an understanding of the characteristics that support the success of entrepreneurship. The limitations of this study include that only the quality of entrepreneurship is examined, without analysis of potential factors that influence it. Further research may consider additional variables that influence entrepreneurial quality, such as culture, social support and entrepreneurial education, entrepreneurial performance and company performance.

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