

Sustainable Institutional Entrepreneurial Culture and Innovation For Economic Growth

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ABSTRACT

This article discusses institutional entrepreneurial culture and the enabling factors for sustainable economic growth. This study aims to identify the key factors contributing to institutional entrepreneurial culture development. The research utilizes a qualitative approach, and the results show that an innovative and entrepreneurial culture can enhance a country's long-term economic prosperity. A strong relationship exists between culture, innovation, and long-term economic success. Therefore, it is important to promote an institutional-entrepreneurial culture through several factors, such as supporting government policies and programs, developing supporting infrastructure, education, and training, and cooperation between the public and private sectors. This research provides useful insights for policies and interests in the economic sector to promote innovation and entrepreneurship that can enhance economic growth. As such, this article provides important insights for readers interested in developing a sustainable institutional entrepreneurial culture and economic growth.

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1. INTRODUCTION

Inappropriate investment and consumption sectors largely support Indonesia's economic growth, resulting in low, unqualified, and high-cost economic growth. In modern economic theory, quality economic growth is determined by technological factors and human capital accumulation as the main determinants in the industry and the economy. Because human resources can create better efficiency, influence, creativity, innovation, and productivity. Over the past few decades, much economic research has focused on human capital accumulation and its impact on the economy, a factor long believed to be positively associated with sustainable economic growth[1][2][3]. Indonesia, as a member of the G20 and the world's 10th-largest economy in terms of purchasing power, has experienced significant economic growth. According to the United Nations Statistics Division, Indonesia's GDP per capita has steadily increased from \$877 in 1990 to \$1,973.

However, pursuing economic growth in developing countries such as Indonesia can lead to irresponsible exploitation of natural resources and the environment, which can strain a country's performance, especially if the country is heavily dependent on natural resources. Therefore, it is important to develop sustainably, which consists of three pillars: social equality between generations, environmental management, and economic growth.

While GDP has long been the main indicator for measuring economic performance, it has been criticized for its relevance and imperfections as an indicator of a country's well-being. GDP does not consider social and environmental issues, including the depletion of natural resources. Studies on sustainable development emphasize the importance of maintaining human well-being across generations. However, non-renewable wealth, such as marine natural capital and ecosystem benefits, are not included in many country assessments, including Indonesia, which has great biodiversity. In addition, commodity sectors such as oil palm plantations have caused significant sustainability concerns in Indonesia. Therefore, the UNU-IHDP and UNEP research was expanded to consider biodiversity and evaluate ecosystem services that benefit people. To evaluate Indonesia's nature, we need to consider the ecosystem and inclusive wealth of each type of capital, such as human capital, production capital, and natural capital. This includes forest resources, agricultural land, fossil fuels, minerals, and ecosystems such as mangroves, timber, fishery resources, and minerals.

Inclusive wealth can be calculated by measuring each type of stock and its contribution to social welfare[1][2]. Inappropriate investment and consumption sectors largely support Indonesia's economic growth, resulting in low, unqualified, and high-cost economic growth. Institutional entrepreneurship can be defined as an attitude or behavior that generates ideas and innovations within an organization or institution. Along with economic development, environmental and social issues are increasingly becoming a major concern in various development policies. Therefore, sustainable entrepreneurial culture is becoming increasingly important. Several factors influence a sustainable entrepreneurial culture, such as internal, external, and individual factors; internal organizational factors include organizational structure, incentive systems, and human resource management policies. External factors include support from the government and a conducive regulatory environment, while individual factors include entrepreneurial knowledge, skills, and motivation.

The relationship under investigation is how the development of a sustainable entrepreneurial culture influences innovation and economic growth. The proposed advantages of the SmartPLS method are its flexibility in analyzing models involving latent or complex variables and its independence from the assumption of data normality, making it suitable for small to medium-sized samples. The state of the art in this research encompasses the development of entrepreneurial culture, the roles of internal and external factors, and their impact on innovation and economic growth. GAP research involves a deeper understanding of the influence of internal organizational factors and the role of external environmental factors in the development of a sustainable entrepreneurial culture. This also includes improved measurements for entrepreneurial culture and comparisons across industrial contexts and environmental sustainability issues within the entrepreneurial culture context.

2. LITERATURE REVIEW

Inappropriate investment and consumption sectors largely support Indonesia's economic growth, resulting in low, unqualified, and high-cost economic growth. Institutional entrepreneurship can be defined as an attitude or behavior that generates ideas and innovations within an organization or institution. Along with economic development, environmental and social issues are increasingly becoming a major concern in various development policies. Therefore, sustainable entrepreneurial culture is becoming increasingly important. Several factors influence a sustainable entrepreneurial culture, such as internal, external, and individual factors; internal organizational factors include organizational structure, incentive systems, and human resource management policies. External factors include support from the government and a conducive regulatory environment, while individual factors include entrepreneurial knowledge, skills, and motivation. The development of a sustainable entrepreneurial culture can increase innovation and economic growth. In developing an entrepreneurial culture, several factors influence a sustainable entrepreneurial culture, such as internal organizational factors, external factors, and individual factors. Internal organizational factors include organizational structure, incentive system, and human resource management policies.

External factors include support from the government and a conducive regulatory environment. At the same time, individual factors include entrepreneurial knowledge, skills, and motivation. Overall, developing a sustainable entrepreneurial culture can be key to enhancing innovation and sustainable economic growth. This requires cooperation and support from various parties and appropriate strategies to strengthen the entrepreneurial culture.

2.1 Hypotheses

Drawing from the aforementioned literature review, we formulate the following hypotheses:

H1: Greater sustainable economic growth can bring broader social and community welfare benefits. These include improved access to education, healthcare, and adequate infrastructure.

H2: The more entrepreneurial culture encourages business people to think creatively and look for new opportunities, the more innovative ideas will arise. Strong entrepreneurial culture develops new products and services.

H3: Through institutional innovation, organizations can achieve increased effectiveness in achieving goals and efficiency in using innovation in an entrepreneurial culture and sustainable economic growth.

3. RESEARCH METHOD

Qualitative research involves methods such as interviews, surveys, content analysis, or case studies to collect non-numeric data to explore themes, opinions, or experiences in-depth. Using SmartPLS, which is designed for quantitative data analysis, may require an explanation of the methodology you will use to collect qualitative data and how this data will be integrated into SmartPLS analysis[3][4].

Regarding data characteristics, in qualitative research, data characteristics typically include:

1. Data Type: Whether the data consists of text, audio, video, or a combination of these formats.
2. Sample Size: The number of participants or data sources used.
3. Data Collection Methods: Techniques and tools used to collect qualitative data, such as open-ended interviews, thematic coding, or content analysis.
4. Data Scope: The depth and breadth of data collected, including the range of topics, themes, or issues explored.
5. Data Quality: Information about data validation and reliability measures, such as inter-rater reliability or data triangulation, to ensure the precision of qualitative analysis.
6. Data Analysis Process: An overview of how data is analyzed, including software or coding schemes used.

3.1 SmartPLS Statistical Analysis Methods

SmartPLS is a statistical analysis software used to perform path analysis and structural equation modeling (SEM). In this study, SmartPLS will be used to analyze data collected from respondents. This method allows the measurement and testing of relationships under study, including the relationship between Economic growth, Institutional entrepreneurial culture, and innovation.

This study aims to analyze the effect of sustainable institutional entrepreneurial culture on innovation and economic growth. This research is based on institutional and entrepreneurship theories, focusing on the effect of institutional entrepreneurial culture on innovation, economic growth, and entrepreneurial culture[13][14][15]. This research uses a qualitative approach with survey techniques to collect data from respondents. The research sample comprises small and medium-sized enterprises in Indonesia engaged in various sectors. Data is collected through questionnaires distributed online. The collected data will be analyzed using the SmartPLS method.

The questionnaire used in this study consists of several sections, namely respondent characteristics, institutional entrepreneurial culture, innovation, and economic growth. The validity and reliability of the research instruments were tested using confirmatory factor analysis and Cronbach alpha. The research sample used in this study was 100 respondents from small and medium-sized enterprises in Indonesia[16][17][18].

4. STUDY RESULT



Figure. 1 Conceptual Framework

Different performance techniques, including performance assessment and key performance indicators as an expression, often have to be defined within an institutional Entrepreneurial Culture framework. The complexity of entrepreneurial culture performance assessment should be recognized, and alternative performance techniques and definitions improved[19][20][21].

4.1 Construct Reliability and Validity

Two experiments were conducted to test construct reliability. Convergent and discriminant validity are two types of validity. Convergent validity is examined to ensure that the objects associated with a variable have a significant correlation with the variable. On the other hand, the discriminant validity test is used to prove that the items for various variables do not show symptoms of association. This is done to show that the dataset is unique and that items with different variables are unrelated. As a result, the model is robust enough to evaluate the significance of the variables without requiring the relationship between elements[22][23][24].

4.2 Convergence validity

An easy way to create a layout is to use this guide directly. When discussing manuscripts, it is advisable to avoid using numbering (1, 2, 3, a, b, etc.) and convert them to sentence forms. Avoid using bulleted lists/clustered lists with symbols, *, and more. Avoid blank areas of the page.

Table 1. Reliability and convergent validity.

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Economic Growth	0.803	0.842	0.854	0.540
Entrepreneurial Culture	0.805	0.827	0.864	0.563
Innovation	0.923	0.925	0.942	0.766

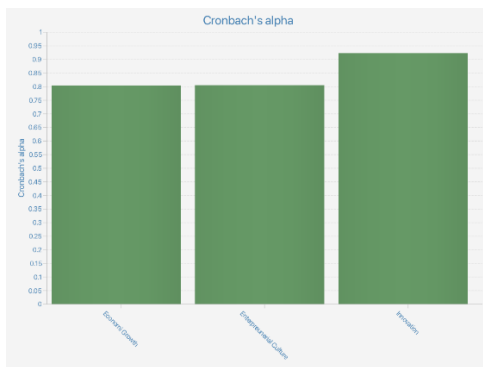


Figure 2. Cronbach's alpha

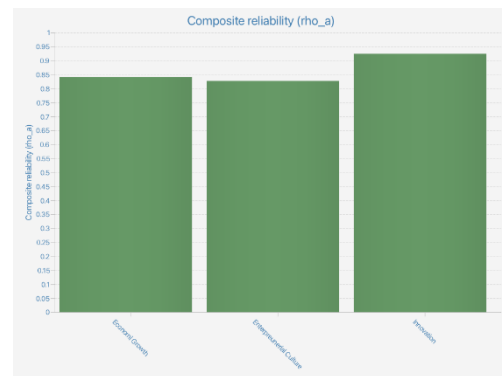


Figure 3. Composite reliability (rho_a)

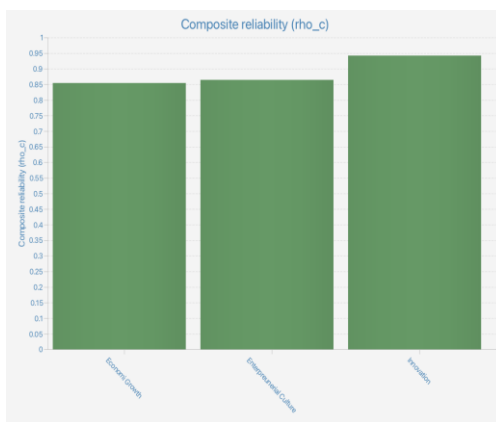


Figure 4. Composite reliability (rho_c)

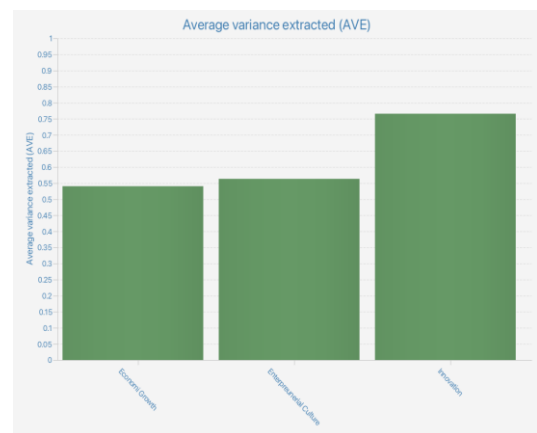


Figure 5. Average variance extracted (AVE)

All the numbers in Table 1 meet the requirements, which must be greater than 0.7. This is the requirement for Cronbach's Alpha. The composite reliability value must also be greater than or equal to 0.7. Thus, the stated criteria are met by all the values for composite reliability. In addition, the data were taken with an average variance higher than 0.5. Figures 2, 3, and 4 further show that each requirement is met, and all values fall within the indicated ranges [25][26][27].

4.3 Tests results for Discriminant Validity

Table 2. Hetrotrait Monotrait table

	Economic Growth	Entrepreneurial Culture	Innovation
Economic Growth			
Entrepreneurial Culture	0.781		
Innovation	0.692	0.927	

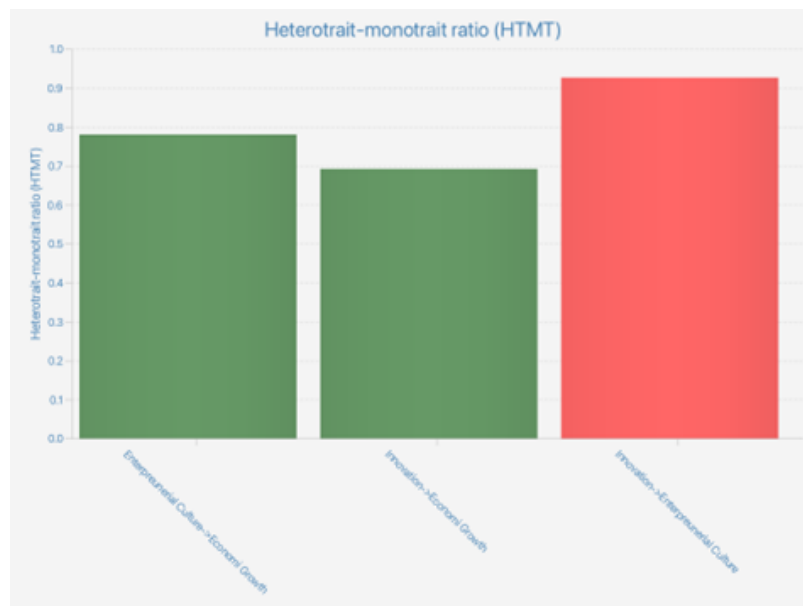


Figure 6. Heterotrait Monotrait Ratio

Table 3. Fornell Larcker Criterion

	Economic Growth	Entrepreneurial Culture	Innovation
Economic Growth	0.735		
Entrepreneurial Culture	0.699	0.751	
Innovation	0.660	0.821	0.875

The heterotrait-monotrait, Fornell and Larcker, and cross-loading criteria are shown in Tables 2, 3, and 4. One value meets the 0.8 value criterion, the rest have values over the 0.8 limit, and the heterotrait-monotrait value can also be justified from the graph shown in Figure 6. Two heterotrait-monotrait conditions are met as a result, and the rest are not met as a result. This condition is also met when the diagonal value in the relevant column is larger, as is the case with the Fornell and Larcker criterion. Table 3 shows that all items for each variable have substantial correlations with that variable only but not with other items or items from other variables. They add additional items or elements from different variables[28][29][30].

Table 4. Cross Loadings

	Economi Growth	Entrepreneurial Culture	Innovation
EC 1	0.564	0.783	0.570
EC 2	0.530	0.796	0.761
EC 3	0.646	0.838	0.688
EC 4	0.337	0.597	0.381
EC 5	0.491	0.714	0.605
EG 1	0.716	0.380	0.349
EG 2	0.700	0.363	0.332
EG 3	0.695	0.359	0.331
EG 4	0.752	0.577	0.529
EG 5	0.807	0.710	0.703
IN 1	0.581	0.789	0.796
IN 2	0.552	0.644	0.849
IN 3	0.551	0.657	0.861
IN 4	0.597	0.740	0.931
IN 5	0.597	0.740	0.931

4.4 Bootstrapping Results and Hypothesis Testing

Table 5. P-values and T-values

	Original sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T statistics (O/STDEV)	P values	Decision
Entrepreneurial Culture -> Economic Growth	0.841	0.476	0.082	5.836	0.000	Supported
Entrepreneurial-> Innovation	0.821	0.819	0.031	26.520	0.000	Supported
Innovation-> Economic Growth	0.265	0.270	0.091	2.898	0.004	Supported

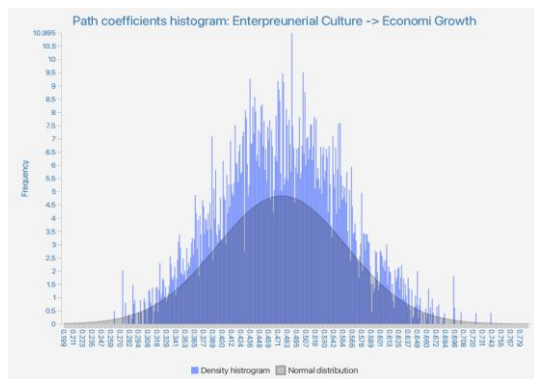


Figure 7. Influence Entrepreneurial Culture on Economic Growth

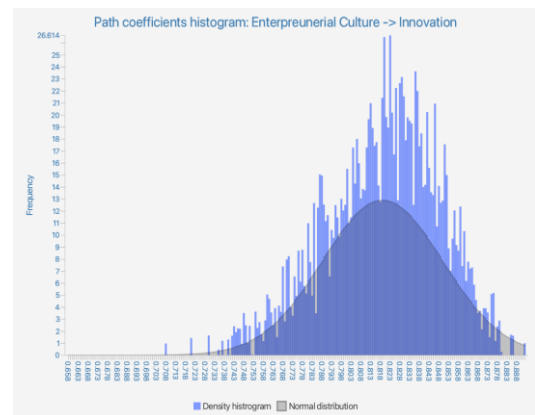


Figure 8. Influence Entrepreneurial Culture on Innovation

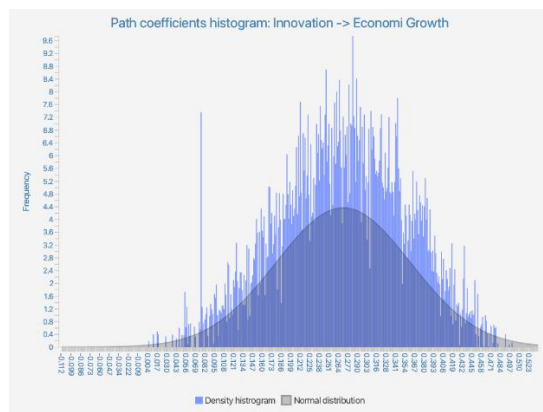


Figure 9. Innovation on Economic Growth

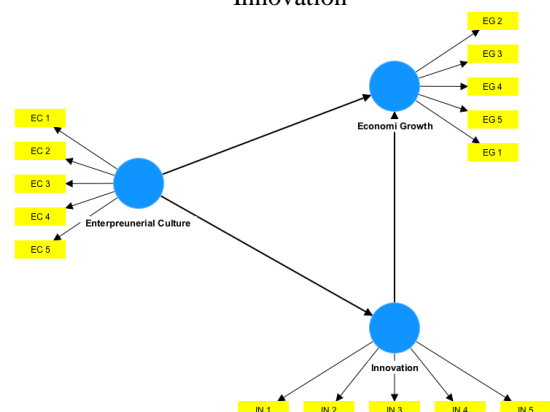


Figure 10. PLS model T-test results

4.5 Explanation of Results

As can be seen, the beta value, p-value, and t-value can be used to determine whether the hypothesis is supported. As can be observed, the impact of institutional entrepreneurial culture on productivity has a p-value of 0.000, which is well below the set cut-off point of 0.04. In addition, there are significant benefits when factors such as Innovation affect the competitiveness acquisition process. There are also considerable benefits that can be recognized. In addition, the T value for the directional hypothesis is higher than 1.645. Since the positive effect of the independent variable on the dependent variable is an alternative hypothesis. The directional T-test values will then be examined and evaluated. In addition, the initial mean value, beta, also shows a positive or negative direction, and it is clear from the positive value of the positive value that all values are positively related. The path coefficients and the impact of the independent factors on the dependent variable are shown in Figures 7, 8, and 9. Figure 7 also illustrates the correlation between the various variables and the image presentation of the model created in Smart PLS[29][30].

5. CONCLUSION

This research is very important for regional economic development in Indonesia through high economic growth and quality. The results show that entrepreneurial culture significantly impacts innovation and economic growth. A culture that supports creativity, and initiative in developing new ventures, encourages innovation. In addition, innovation also positively influences economic growth, helping to increase a country's productivity, efficiency, and competitiveness. The importance of fostering an inclusive entrepreneurial culture, encouraging sustainable innovation, and paying attention to supportive institutional aspects to achieve economic growth. In order to achieve sustainable development goals, policymakers, entrepreneurs, and other relevant parties need to work together to strengthen these factors to create optimal conditions for sustainable economic growth and empower people as a whole. Human capital is the first and main key to promoting quality, high, and sustainable economic growth.

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