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# UNDERSTANDING THE RELATIONSHIP BETWEEN ENTREPRENEURIAL SPIRIT AND GLOBAL COMPETITIVENESS: IMPLICATIONS FOR INDONESIA

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## ABSTRACT

Entrepreneurship has been recognized as a key contributor to the economic development of a country. Interestingly, while developed countries are lower in entrepreneurship characteristics than developing countries, the former have higher levels of global competitiveness than the latter (based on Global Entrepreneurship Monitor or GEM). Given this background, this study investigates the relationship between entrepreneurial spirit and global competitiveness at the national level. Entrepreneurial spirit is measured by entrepreneurial attitudes (comprising social value, personal attribute, and goal orientation) and entrepreneurial activities (total early entrepreneurial activities and established business ownerships), taken from the GEM's 2015 data on national entrepreneurship. Global competitiveness is measured using the Global Competitiveness Index, taken from the World Economic Forum (WEF) for 2015. The study finds that all the entrepreneurial spirit factors have a negative relationship with global competitiveness, except for goal orientation (consisting of three indicators: growth, innovation, and internationalization, all of which have a positive and significant relationship with global competitiveness). All the relationships are statistically significant, except for social value. Implications for Indonesia are discussed.

***Keywords**:* Entrepreneurial Spirit; Entrepreneurial Attitude; Entrepreneurial Activities; Global Competitiveness; Global Entrepreneurship Monitor.

## 1. INTRODUCTION

Entrepreneurship as a mechanism for new venture creation would be expected to contribute to the economic growth and development of a country through innovative behaviors, skills of taking advantage of most limited resources and risky competitive pressures. Entrepreneurship is reflected at the individual level that simultaneously spirals into the firm level, and then crafts its way to the national level. Globalization and ICT revolution have facilitated a borderless competitive field among firms at the national level. This phenomenon highlights the importance of understanding how entrepreneurship would contribute to economic development.

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Interestingly, according to the GEM Global report 2016, the developed countries have a lower in entrepreneurship characteristics than developing countries, but the former have higher levels of global competitiveness than the latter (Kelley, Singer, & Herrington, 2016). Therefore, understanding the relationship between entrepreneurial spirit and global competitiveness is especially called for. Entrepreneurial spirit is believed to be an effective mechanism for a country to develop in the social, cultural, and political context (Singer, Amorós, & Arreola, 2015). The inner process of entrepreneurial spirit is resulted from attitudes, activities, and aspiration of entrepreneurship. Socio-economic development includes new job creation, innovation, and social value creation. Individuals in their relationship with their environment or community consciously express and perform their activity to gain better life or status, either economically or politically. This brings the issue of global competitiveness in context, which can be seen as an indicator of economic development (Schwab, 2015).

In this article, the authors present an investigation of the relationship between entrepreneurial spirit and global competitiveness. Formally, the study aims to answer: "What is the direction of the relationship between entrepreneurial spirit and global competitiveness?" This question is important in order to understand how global competitiveness can be achieved through advocating for entrepreneurial spirit. Further, the implications of this study will be discussed in the context of Indonesia.

This article is structured as follows. In the next section we present a literatures review, considering the conceptual and previous research on the entrepreneurial spirit, global competitiveness index, and their linkage. We then present a methodology, which include data and research methods for gaining understanding on a relationship and its direction. Results are then presented in the following section, together with a discussion. Concluding comments are presented in the final section.

## 2. LITERATURE REVIEW

### *2.1. Entrepreneurship and Entrepreneurial Spirit*

Entrepreneurship as a new venture creation is an important factor for economic growth and it has been attracting a serious attention from many parties, particularly the government (Wennekers, Stel, Thurik, & Reynolds, 2005). New ventures have been shown to survive even in global economic crises, which have caused many big enterprises to shut down. As arguably a consequence of this demise, the transformation of new ventures into SMEs have shown substantial changes and growth (Tambunan, 2010). One of the reasons for this is business diversification. That is, businesses have become diversified. The growth of SMEs were indicated by the creation of new jobs, innovation, or social value (Singer et al., 2015, p. 19).

Entrepreneurship has two essential meanings. The first refers to creating, owning and managing a venture and the second refers to entrepreneurial behavior in capturing opportunities and dealing with risks (Reynolds et al., 2005; Sternberg & Wennekers, 2005). Given these meanings, there is spirit embedded in entrepreneurship. That is, there is spirit in creating, running, and maintaining a venture. Various authors have defined entrepreneurship within which there is the spirit element embedded. Zahra and Nambisan (2012) define entrepreneurship as the creation of new ventures through a mechanism that involves spirit (e.g.

attitude and aspiration), actors (e.g. entrepreneur, organization), factor (e.g. markets, regulatory, financial scheme, support and culture), and process (e.g. innovation, research and development, business sophistication). Nandram and Samsom (2006) define entrepreneurship as an inner mechanism within the spirit of a person. Entrepreneurial spirit is shown when a person always has a positive mind, challenges risks, and acts with determination. Further, Buchholz and Rosenthal (2005) define entrepreneurial spirit as an inner self-motivation and attitude in handling entrepreneurial activities.

Entrepreneurial spirit has been found to have a major role in creating and nurturing a new venture (Neubaum, Mitchell, & Schminke, 2004). Cultivating the entrepreneurial spirit may promote the productivity of an individual to give a positive contribution to the economy. See Kaijun and Ichwatus Sholihah (2015) for a special case in Indonesian and Chinese ventures. In this study, entrepreneurial spirit is defined as a combination of entrepreneurial attitudes and entrepreneurial activities in creating and managing a venture. In the GEM model, as defined in Singer et al. (2015), entrepreneurial attitudes are composed of three factors: social value (perception towards entrepreneurial career in the community, media's exposure of entrepreneurs, and social status of being entrepreneurs), personal attributes (attributes related to people's capability, willingness to take a risk, perceived opportunity, and presence of a role model), and goal orientation (people's level of aspiration towards the economic impact of entrepreneurship to the society, through job creation, income generation, internationalization, and competitiveness). Entrepreneurial activities are divided into three phases: nascent (start-ups), new, and established entrepreneurial activities (Singer et al., 2015). Nascent and new entrepreneurial activities can be combined as one aspect of entrepreneurial activities that refers to total early entrepreneurial activities (TEA).

### *2.2. Economic Development and Global Competitiveness*

Issues related to global or international competition began to appear in 1986, such as the rise of globalization and the need for business sustainability (Porter, 1986). It is argued that globalization in particular has promoted the fall of tariff barrier, the integration of technologies, and the rise of new global competitors. Given this light, global competitiveness becomes a central issue for countries. Global competitiveness has become a common measure to indicate how well ventures maintain sustainability and improve their performance, indicating the level of economic development of a country (Porter et al., 2000). Interestingly, it is found that entrepreneurship was positively associated with a country's economic development in general (Rocha (2004). That is, with entrepreneurship comes economic development. One aspect of economic development is associated with improving global competitiveness.

The World Economic Forum has released the Global Competitiveness Index (GCI) since 1979 (Porter, Schwab, Lopez-Claros, & Sala-I-Martin, 2006). Argued to be a good indicator of a country's economic development, GCI measures the level of competitiveness of a given country among others and is measured using 12 factors or pillars: institutions, infrastructure, macroeconomic environment, health and primary educations, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistications, and innovation (Schwab, 2015).

### *2.3. Relationship between Entrepreneurial Spirit and Global Competitiveness*

To reiterate, this study is focused on entrepreneurial spirit, a subset of entrepreneurship, in order to understand entrepreneurship more deeply. Research has examined the relationship between entrepreneurship and economic growth (e.g. Acs, Desai, & Hessels, 2008; Wennekers & Thurik, 1999), but there has been little insight about how entrepreneurship relates to global competitiveness, an indicator of economic development. On the one hand, given the positive relationship between entrepreneurship and economic growth (Rocha, 2004), the relationship between entrepreneurial spirit and global competitiveness would seem to be positive. On the other hand, while developed countries have higher levels of global competitiveness than developing countries, the former are more likely to have lower levels of total early entrepreneurial activities than the latter (Reynolds et al., 2005). Therefore, the authors argue that the relationship between entrepreneurship (especially entrepreneurial spirit) in a country and its global competitiveness is still somewhat fuzzy, thus requiring further examinations.

## 3. METHODOLOGY

### *3.1. Data and indicators*

This study uses quantitative methodology, with data sourced from the Global Entrepreneurship Monitor (GEM) and the World Economic Forum (WEF). *The 2015 Global Competitiveness Index* (GCI2015) was collected from the World Economic Forum (WEF) while the entrepreneurial spirit variables were derived from the 2015 GEM data, which consists of two dimensions: entrepreneurial attitude and entrepreneurial activities (Kelley, Singer, & Herrington, 2012). For the purpose of these analysis, the national level data was used, which consist of 60 countries from Africa, Asia and Oceania, Latin America & Carribbean, Europe, and North America, covering three economic development stages. The GEM model defined *Entrepreneurial attitudes* into 12 indicators (see Kelley et al., 2016), such as follow:

a. *Entrepreneurship as desirable career choice*, percentage of individuals aged 18-64 years who agree with "In their country, most people consider starting a business as a desirable career choice".
b. *High status successful entrepreneurship*, percentage of individuals aged 18-64 years who agree with "In their country, successful entrepreneurs receive high status".
c. *Media attention for entrepreneurship*, percentage of individuals aged 18-64 years who agree with "In their country, you will often see stories in the public media about successful new businesses".
d. *Perceived opportunities*, percentage of individuals who see an opportunity to start a business.
e. *Perceived capabilities*, the percentage of individuals aged 18-64 years who believe in the necessary skills and knowledge to start a business / enterprise.
f. *Fear of failure rate*, percentage of individuals aged 18-64 years who state that, "Fear of failure would prevent them from setting up a business".
g. *Entrepreneurial intention*, percentage of individuals aged 18-64 years who wish/plan to do business in 3 years.

h. *Know startup entrepreneur rate*, percentage of individuals aged 18-64 years who personally know someone has done / started a business in the last two years.
i. *Informal investor rate*, percentage of 18-64 population who have personally provided funds for a new business, started by someone else, in the past three years
j. *Growth*, percentage of people with TEA who expect to employ at least five employees five years from now.
k. *Innovation*, percentage of people with TEA who indicate that their product or service is new to at least some customers.
l. *Internationalization*, percentage of people with TEA who indicate that at least 25% of the customers come from other countries.

*Entrepreneurial activities* use the following indicators: total early-stage entrepreneurial activity (TEA) and established business ownerships (ESTB). The TEA represents a percentage of individuals aged 18-64 years who are either a nascent entrepreneur or owner-manager of a new business. And, the ESTB shows a percentage of individuals aged 18-64 years who run an established business in more than 42 months (Nawangpalupi et al., 2015).

### *3.2. Methods*

In this article, we examine a relationship between entrepreneurial spirit and global competitiveness, through some steps. First, we define variables of entrepreneurial spirit from two dimensions, namely entrepreneurial attitudes and entrepreneurial activities. The entrepreneurial attitudes were factorized by using exploratory factor analysis, and the entrepreneurial activities consist of two variables, such as TEA and ESTB. Meanwhile, the countries as a unit of analysis, were categorized into three stages of economic development, namely factor driven, efficiency driven, and innovations driven countries. The global competitiveness was defined as global competitiveness index (GCI), which was produced by World Economic Forum. Second, we draw a box plot to show a profile of entrepreneurial spirit across the countries by economic development stages. Third, Pearson correlation coefficient between variables of entrepreneurial spirit and global competitiveness index were computed, and complemented by scatter plot between variables of entrepreneurial spirit versus global competitiveness index. Contour plots were also produced, to understand a relationship between global competitive index and entrepreneurial activities, with entrepreneurial attitude as a covariate.

## 4. RESULTS AND ANALYSIS

### *4.1. Entrepreneurial Spirit*

Entrepreneurial spirit can be divided into two dimensions: entrepreneurial attitudes and activities (Kelley et al., 2012). Using exploratory factor analysis on the GEM data in 2015 at the national level, indicators of entrepreneurial attitudes are classified into three main factors: the social value, personal attribute, and goal orientation (see Table 1). The first factor (i.e. social value – SV) indicates the level of interaction between the external environment or the community and the entrepreneur(s). The second factor (i.e. personal attribute – PA) is all about the internal condition of the entrepreneur(s). The third factor (i.e. goal orientation – GO) indicates the aspiration or ambition of the entrepreneur(s). From the exploratory factor

analysis (see Table 1), five indicators are retained for Social Value while four indicators and three indicators are retained for Personal Attribute and Goal Orientation, respectively. Based on the result, hence the entrepreneurial spirit is formulated containing of three variables, namely social value (SV), personal attribute (PA), and goal orientation (GO). Other two variables of entrepreneurial spirit was defined from entrepreneurial activities, namely, total early entrepreneurial activities (TEA), and establised business ownership rate (ESTB). For the purpose of this analysis, the variables are named into SV2015, PA2015, GO2015, TEA2015, and ESTB2015, respectively.

**Table 1**: Extracted factors of Entrepreneurial Attitudes by using the exploratory factor analysis

| Indicators | Factors | | |
|---|---|---|---|
| | **SV** | **PA** | **GO** |
| High status successful entrepreneurship | .747 | | |
| Known start-up entrepreneur rate | .724 | | |
| Entrepreneurship as desirable career choice | .690 | | |
| Media attention for entrepreneurship | .607 | | |
| Perceived opportunities | .584 | | |
| Fear of failure rate | | .804 | |
| Entrepreneurial intention | | .752 | |
| Perceived capabilities | | .702 | |
| Informal investors rate | | .565 | |
| Growth | | | .784 |
| Innovation | | | .682 |
| Internationalization | | | .575 |
| % Variance explained by factors | 33.2% | 15.5% | 12.0% |
| Cumulative % variance explained by factors | 33.2% | 48.7% | 60.7% |

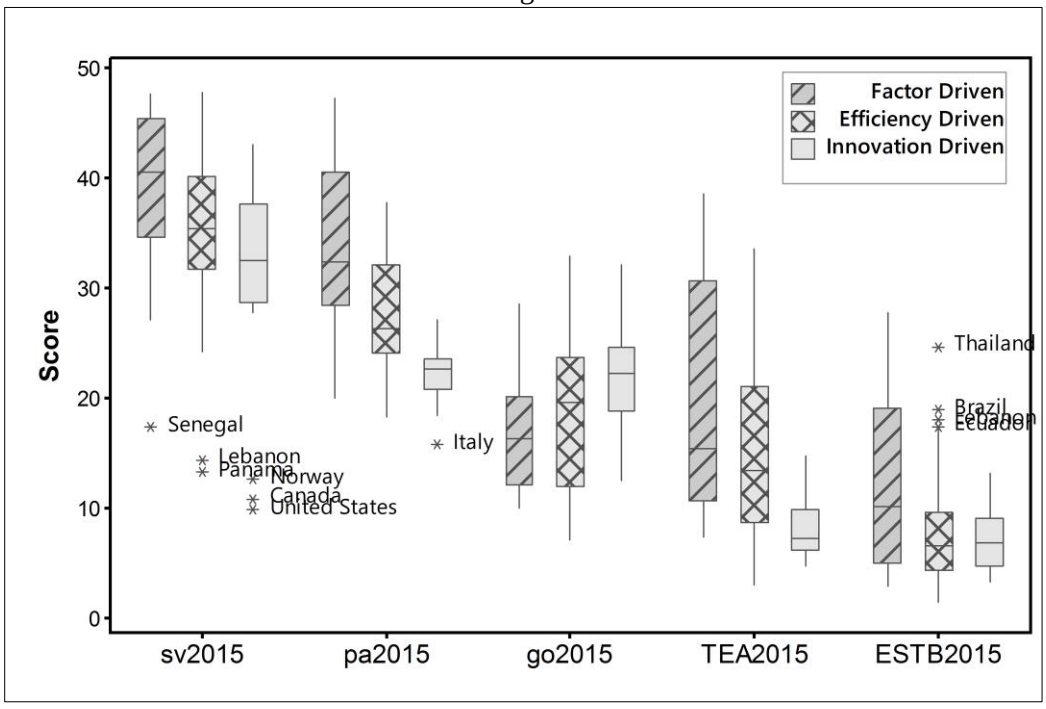
***Source***: SPSS output, calculation using factor analysis for national level of GEM 2015 data.
***Notes***: SV=social value; PA=personal attribute; and GO=goal orientation.

Figure 1 shows a profile of entrepreneurial spirit of countries categorized by three stages of economic development (Kelley et al., 2016). The figure shows different scores of entrepreneurial spirit (i.e. vertical axis) based on the countries' level of economic development. Innovation-driven countries (e.g. Japan, Australia, Taiwan, etc.) are shown to have high scores of entrepreneurial spirit only in the aspect of Goal Orientation (GO2015), which consists of three indicators: 'growth', 'innovation', and 'internationalization'. But factor-driven and efficiency-driven countries (e.g. the Philippines, Vietnam, Malaysia, Indonesia, etc.) have higher scores in both other aspects: Social Value (SV2015) and Personal Attribute (PA2015). Innovation-driven countries also have lower scores than factor-driven and efficiency-driven countries in their entrepreneurial activities, as shown in the TEA rate (TEA2015) and established business ownerships (ESTB2015).

*Factor-driven countries* are defined as those that have established the basic requirements – namely a country's macro-economic stability, institutions, infrastructure, health and primary education – are the underlying fundamental conditions required for a well-functioning business environment. *Efficiency-driven countries* are defined as those that are strong at efficiency enhancer frameworks, including higher education and training, market efficiency,

labor market efficiency, financial market sophistication, technological readiness, and market size. *Innovation driven countries* are defined as those that have advanced in their attention to aspects related to innovation and entrepreneurship, such as finance, government policy and entrepreneurship programs, entrepreneurship education, R&D transfer, internal market openness, physical infrastructure, commercial and legal infrastructure, and cultures and norms.

**Figure 1**: Profile of Entrepreneurial Spirit for Countries Based on Economic Development stages




### *4.2. Relationship between Entrepreneurial Spirit and Global Competitiveness*

To understand the relationship between entrepreneurial spirit and global competitiveness, the Pearson correlation coefficient were computed. The result is shown in Table 2, which presents a correlation between variables of entrepreneurial spirit (i.e. SV2015, PA2015, GO2015, TEA2015, and ESTB2015) and global competitivess index (GCI2015).

It is shown that there is a negative correlation between social value and global competitiveness ($r = -0.192$; $p > 0.05$, *not significant*) and between personal attribute and global competitiveness (significant, $r = -0.609$; $p < 0.01$, *significant*). Goal orientation, on the other hand, has a positive and significant correlation with the global competitiveness. Meanwhile, two indicators of entrepreneurial activities are negative and significantly correlated with global competitiveness ($r = -0.507$ for TEA, significant at the 1% level, and $r = -0.275$ for ESTB; significant at the 5% level). All the significant relationships are illustrated in scatter plots Figure 7. The figure shows a sloping and negative trend for established business

ownership rate. But the other variables, personal attribute and total early entrepreneurial activities, have a pretty steep and negative trend.

**Table 2**: Correlation between Entrepreneurial Spirit and Global Competitiveness

| | | Entrepreneurial Spirit | | | | |
|---|---|---|---|---|---|---|
| | | **SV2015** | **PA2015** | **GO2015** | **TEA2015** | **ESTB2015** |
| GCI2015 | Pearson Correlation | -.192 | -.609** | .289* | -.507** | -.275* |
| | Sig. (2-tailed) | .145 | .000 | .026 | .000 | .035 |

***Notes***: **. Correlation is significant at the 0.01 level (2-tailed); *. Correlation is significant at the 0.05 level (2-tailed).

**Figure 2**: Scatter Plots between entrepreneurial spirit ((a) Personal Attribute, and (b) Goal Orientation), (c) TEA, (d) ESTB, and Global Competitiveness Index

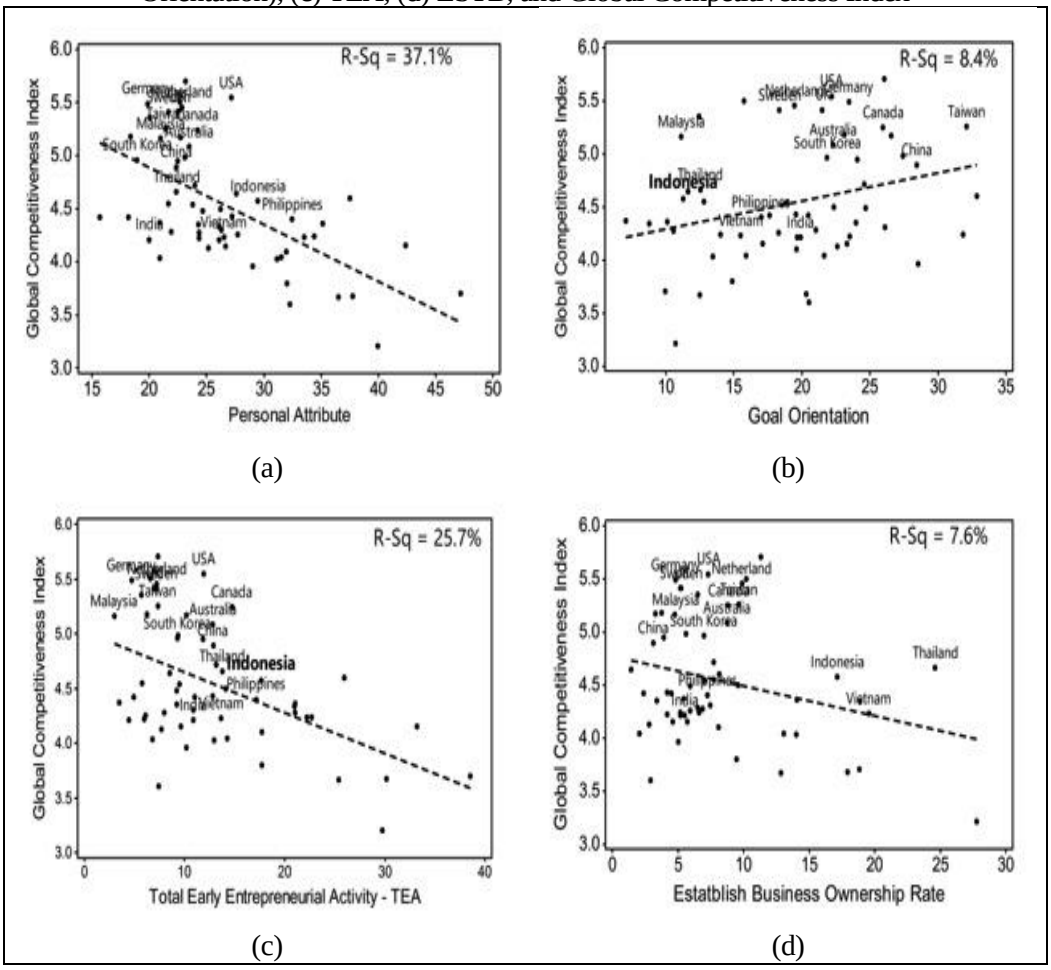
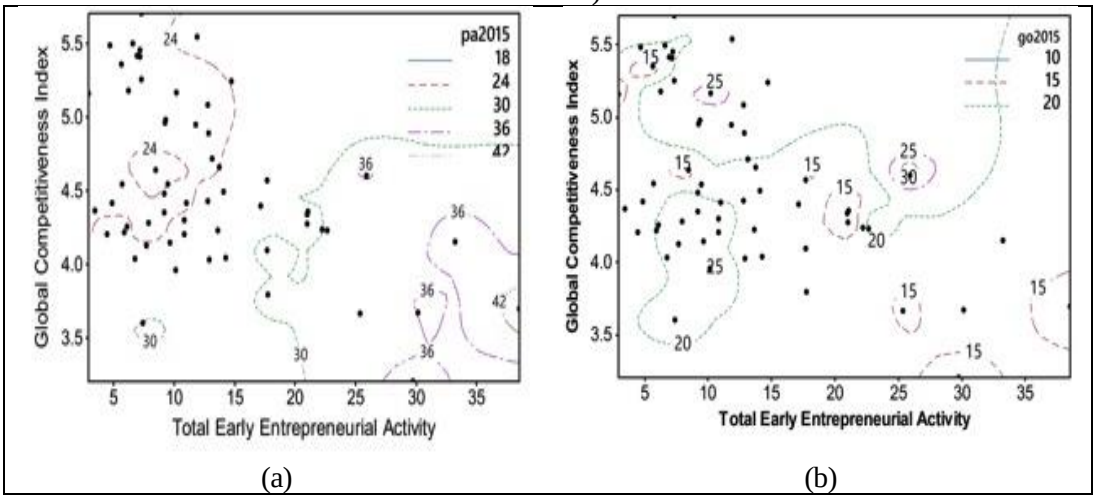



Figure 3 shows a contour map of the TEA and Global Competitiveness Index (GCI) for each significant variables of entrepreneurial attitudes: (a) personal attribute, and (b) goal

orientation. Figure 9(a) shows countries with high TEA, low GCI, but high personal attribute (pa). This pattern is identical with efficiency and factor-driven countries. Meanwhile, Figure 9(d) shows countries with low TEA, high GCI, and high goal orientation, depicting innovation-driven countries.

**Figure 3**: Contour map that portrays a relationship between TEA versus global competitiveness index, and variables of entrepreneurial attitude as covariate (PA2015, GO2015)




## 5. DISCUSSION

The GEM model provides a path for studying entrepreneurship and its relationship with economic development. In this study, entrepreneurship is examined using the lens of entrepreneurial spirit while economic development is understood from the perspective of global competitiveness, both at the national level. Entrepreneurial spirit is divided into two dimensions, namely entrepreneurial attitudes and entrepreneurial activities. This conceptualization offers a way for a comprehensive and thorough analysis of the relationship between national entrepreneurship and global competitiveness. Wennekers and Thurik (1999) state that there is a need to explore the idea of entrepreneurship in understanding its role in economic development. Below, the authors explain and discuss more specifically the relationship between each dimension of entrepreneurial spirit (i.e. entrepreneurial attitudes and entrepreneurial activities) and global competitiveness, as an indicator of economic development of a country.

### *5.1. Relationship between Entrepreneurial Attitudes and Global Competiveness*

Entrepreneurial attitudes are divided into three variables: social value, personal attributes, and goal orientation. Table 1 shows the entrepreneurial attitude is split up into three principal factors: social value, personal attribute, and goal orientation (each respectively contributing 33.2%, 15.5%, and 12.0% of variance to entrepreneurial attitude). This result indicates that

the social value is the most important factor in depicting the entrepreneurial spirit from its attitude.

Defined as the perception towards entrepreneurial career in the community, media's exposure of entrepreneurs, and social status of being entrepreneurs, social value is the only factor of entrepreneurial attitudes that is not significantly related to global competitiveness. This non-significant relationship may have two interpretations. First, social value is not *directly* related to competitiveness. Second, there is indeed no relationship at all between social value and global competitiveness. The authors argue that the first interpretation is more feasible, considering that social value has the largest contribution to entrepreneurial attitudes (compared to personal value and goal orientation). The relationship between social value and global competitive may depend on other factors, such as entrepreneurship growth, which is found to have a relationship with competitiveness (see Amorós, Fernández, & Tapia, 2012). Further exploration is required to understand this potentially indirect relationship between social value and global competitiveness.

Defined as attributes related to people's capability, willingness to take a risk, perceived opportunity, and presence of a role model, personal attributes are found to have a negative and significant relationship with global competitiveness. This indicates that the lower a country's global competitiveness is, the higher the level of its citizens' personal attributes. From the data, personal attributes are mostly contributed by willingness to take a risk and entrepreneurial intention. This condition is typically applicable to factor and efficiency-driven countries, where innovation is lacking. As seen in Figure 1, innovation-driven countries have lower levels of personal attributes but high levels of global competitiveness.

Defined as people's level of aspiration towards the economic impact of entrepreneurship to the society, through job creation, income generation, internationalization, and competitiveness, goal orientation is found to have a positive and significant relationship with global competitiveness. This finding indicates that the higher the level of goal orientation of a country, the higher the level of global competitiveness.

Overall, only two aspects of entrepreneurial attitudes that have a significant relationship with global competitiveness: personal attributes and goal orientation. The first has a negative relationship while the second has a positive relationship with global competitiveness. Even though the authors do not establish a causal relationship between entrepreneurial attitudes and global competitiveness, it might be worth theorizing about how a country can improve global competitiveness through personal attributes and goal orientation, especially in the context of countries like Indonesia. Further, while social value is found to be a contributing factor of entrepreneurial attitudes, it has no significant relationship with global competitiveness. Further investigation regarding this is called for.

### *5.2. Relationship between Entrepreneurial Activities and Global Competitiveness*

Two variables represent entrepreneurial activities: total early entrepreneurial activities (TEA) and established business ownerships (ESTB). The two variables show a negative and significant relationship with the global competitiveness (see Table 2). This finding shows that there are a significantly higher number of early entrepreneurial activities in countries that are low in global competitiveness and a significantly lower number of early entrepreneurial

activities in countries that are high in global competitiveness. Similarly, there are significantly higher rates of established business ownerships in countries that are low in global competitiveness and significantly lower rates of established business ownerships in countries that are high in global competitiveness.

Although this article does not infer causality, the results can provide an overview of a trend of global competitiveness of a given country compared to its levels of entrepreneurial spirit. For example, the goal orientation has a positive trend with the global competitiveness. It suggests that as goal orientation increases, global competitiveness increases. One can theorize that embedded in the concept of goal orientation is a positive effort to gain competitiveness, namely growth, innovation, and internationalization. This pattern is supported when comparing countries with regard to their level of economic development. Innovation-driven countries are shown to have lower levels of social value, personal attributes, and total early entrepreneurial activities, but they have higher levels of goal orientation.

### *5.3. Implications for Indonesia*

In examining the Indonesian economy, Mietzner (2010) concluded that Indonesia had been experiencing a political shift into a democratic system, which generated positive economic growth. Likewise, Tambunan (2000) showed that Indonesia was stronger to cope with the crisis either in 1997 or in 2008 (see also Tambunan, 2011). The authors argued that the 1997 crisis caused a large number of people to be laid off from jobs. Consequently, many created a micro/small/medium enterprise (i.e. SME). In 2008, SMEs were the main players in the domestic market (approximately 99.9% of the domestic enterprises are SMEs) and main contributors to job creation (they approximately employ 96.2% of the workforce). This was arguably due to the fact that SMEs in Indonesia were more export-oriented and less import-oriented (Tambunan, 2000).

As one of the middle-income economies, Indonesia presents an interesting economic phenomenon to study. The 1998's economic crisis in Indonesia had brought significant changes, especially in the transformation of political and fiscal systems. Before the crisis, the Indonesian GDP had a positive growth between 1987 and 1997, where political monopoly had arguably been able to have a strong control over the Indonesian macro-economic condition Cassing (2000). After the crisis, the Indonesian GDP and FDI declined drastically (see Figure 4). Nevertheless, years after the crisis, the Indonesian quickly gained a better economic and political situation, as indicated by the increase of GDP. Indonesia has since developed a strong economy and a stable political life (Cassing, 2000; Mietzner, 2010; see the data in The World Bank, 2011). During the global financial crisis in 2008–2009, the Indonesian economy did not seem to be affected too severely. Although the FDI had slightly declined, the GDP had improved (see Figure 4). It is argued that the Indonesian economy was strong enough to overcome the crisis given the proliferation of small-medium enterprises in Indonesia (Tambunan, 2010).

According to the Indonesian Statistics Office (BPS) in 2017, the Indonesian GDP growth was 6.17% in 2011 and down into 6.03% in 2012, 5.56% in 2013, 5.02% in 2014, and 4.70% in 2015. But, starting the first quarter of 2016, the GDP growth gain a positive trend up to third quarter of 2016 by the percentage of 4.91, 5.19, and 5.02, respectively. On average the Indonesia GDP in 2016 was 5.02%, which is better compared with 4.88% in 2015. This

figure shows a positive market's appreciation of the economic packages policy during the year 2015-2016.

In the early 2015, the Government of Indonesia, through Ministry of Cooperation and Small Medium Enterpreses has lauched the young entrepreneur development policies package. The package includes capacity development training, financial support for your entrepreneur up to 25 million rupiah, and other entrepreneurial development program. The government also introduce the corporate social responsibility programs for every state owned enterprise as a compulsory community development program. Other important programs are also development of featured product and integrated business services center (Pusat Layanan Usaha Terpadu – PLUT) in the village/district/municipality. This entrepreneurial policy is expected to be capture in some macro indicators, such as in ease of doing business, global competitiveness or entrepreneurial attitude and activities.

**Figure 4**: The Indonesian Foreign Direct Investment (as the percentage of GDP) and GDP growth between 1987 and 2012


***Source***: World Bank Database

Table 3 shows how Indonesia compares with neighboring ASEAN countries (Singapore, Malaysia, Thailand, Vietnam and the Philippines) in terms of Ease of Doing Business and Global Competitiveness in 2015. The International Bank for Reconstruction and Development (IBRD) defines the Ease of Doing Business as the extent to which setting up business is easy. It illustrates a condition for the creation and running of businesses within a country. In 2015, the IBRD published a report covering a ranking of Ease of Doing Business across 189 world economies. The report highlighted that there were challenges faced by some ASEAN countries. Singapore had the best performance in both indicators, being the easiest country for doing business and the highest of all ASEAN countries in terms of Global Competitiveness, making Singapore the best place for entrepreneurs to run their business. Meanwhile, Indonesia and the Philippines ranked low (below 100) in terms of Ease of Doing Business. Nevertheless,

Indonesian ranked higher than Vietnam and the Philippines in terms of Global Competitiveness.

**Table 3**: Ranking of 6 ASEAN countries in terms of Ease of Doing Business and Global Competitiveness in 2015

| South East Asian Countries | Ease of Doing Business 2015 | | Global Competitiveness 2015-16 | |
|---|---|---|---|---|
| | Ranking | (score) | Ranking | (score) |
| Singapore | 1 | (87.34) | 2 | (5.68) |
| Malaysia | 18 | (79.13) | 18 | (5.23) |
| Thailand | 49 | (71.42) | 32 | (4.64) |
| Vietnam | 90 | (62.10) | 56 | (4.30) |
| Philippines | 103 | (60.07) | 47 | (4.39) |
| Indonesia | 109 | (58,12) | 37 | (4.52) |

***Source***: International Bank for Reconstruction and Development (2016) and Schwab (2015)

**Figure 5**: Entrepreneurial Activities Profile of Indonesia 2013-2015 Based on GEM Data

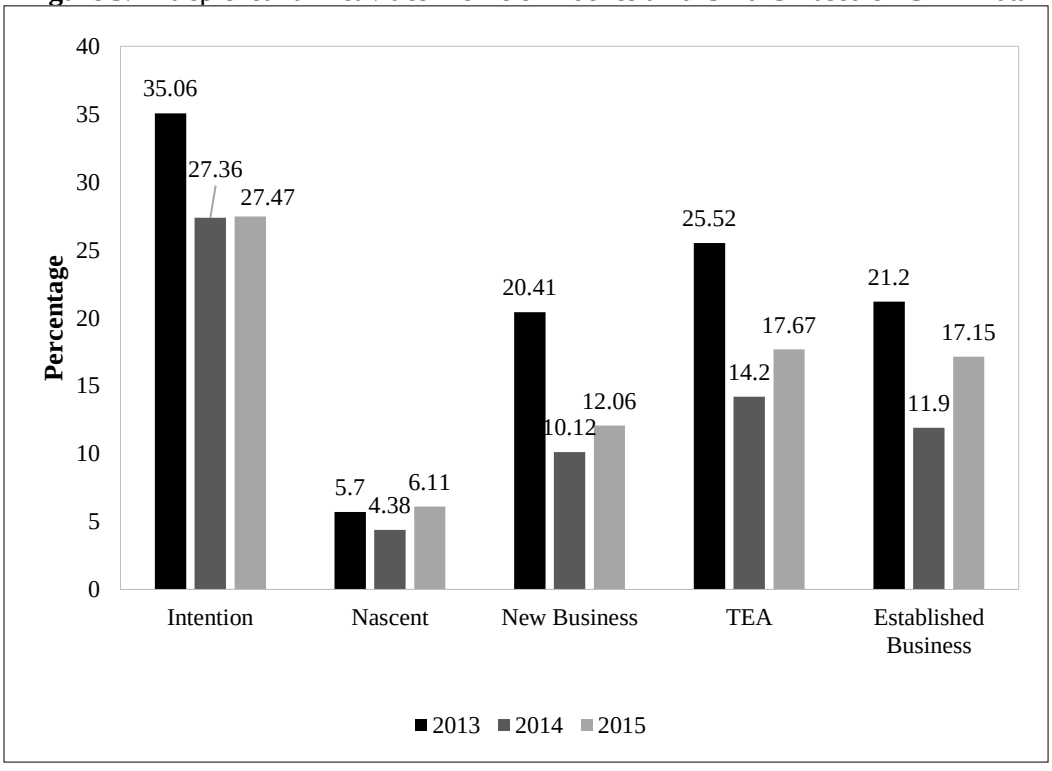
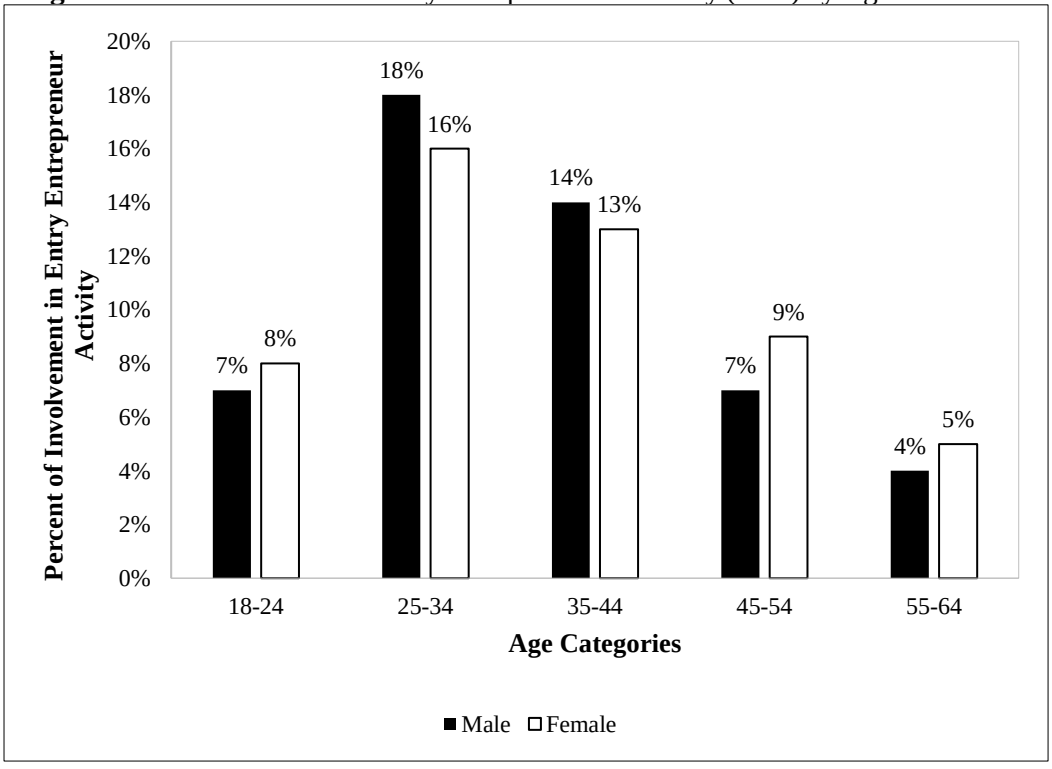



Figure 5 presents the profile of entrepreneurial activities of Indonesia during the period of 2013-2015 based on the GEM data. Entrepreneurial activities indicate a dynamic life of businesses, involving the emergence of start-ups (nascent), the management of new businesses and the establishment of business ownerships. The GEM model defines Total Early Entrepreneurial Activity (TEA) as a collective measure of the rates of nascent and new

businesses. The figure also shows a positive trend from 2014 to 2015. The interesting point in 2015 was the TEA rate (17.67%) is close to the established business rate (17.15%). This indicates the TEA became steady and continued their business into established ventures.

Further, Figure 5 also shows the difference between intentional and actual entrepreneurship. The figure indicates that entrepreneurial intention among people in Indonesia was considerably high: 35.06%, 27.36% and 27.47% for 2013, 2014, and 2015 respectively. While there was a decline in the TEA from 2013 to 2014, it was shown to increase from 2014 to 2015. The same pattern can be seen in the case of the rate of established business ownerships. It can be argued that a better atmosphere during 2014-2015 in the social, political, or economic aspects have facilitated the increase of ventures (Ahmad & Xavier, 2012; World Economic Forum, 2013). The government has provided several economic packages, such as tax incentives for labor-intensive industries, accelerated and easier business permit, interest tax cuts for exporters, relaxation of taxes for imports of capital goods and the aviation industry (Yusuf & Sumner, 2015).

**Figure 6**: Distribution of Total Early Entrepreneurial Activity (TEA) by Age and Gender

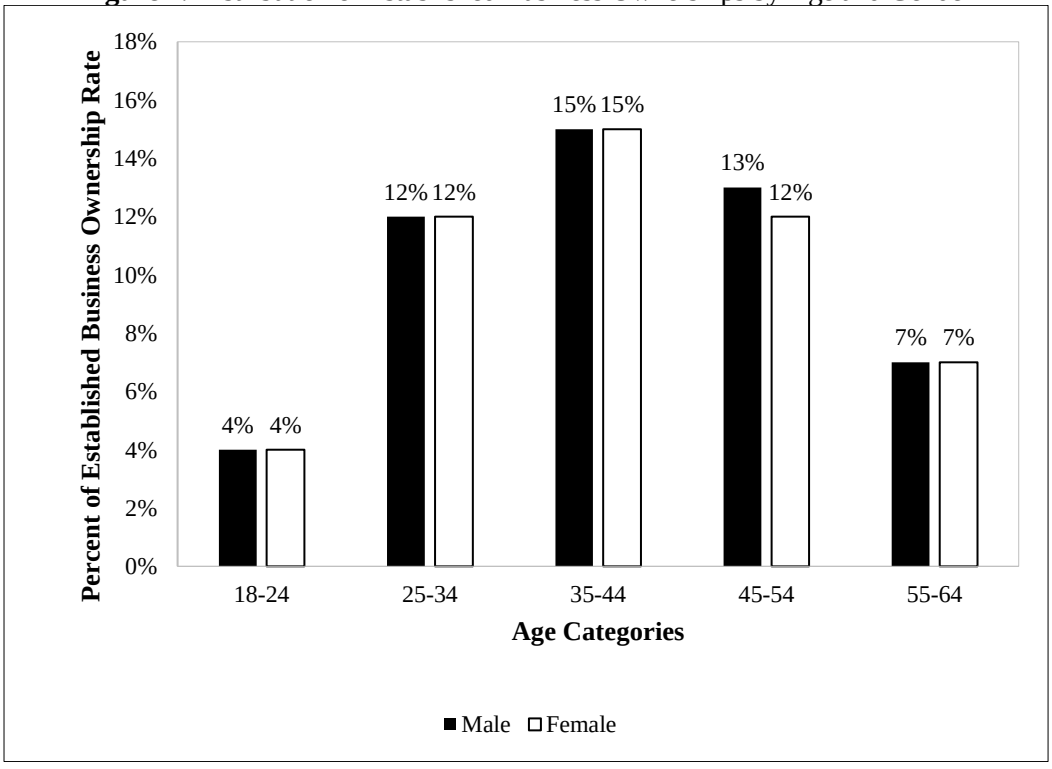



The distribution of the TEA and established business ownerships is shown in Figure 6 and 7 respectively. As can be seen in Figure 6, the majority of TEA was composed of individuals in their productive ages of 25-54. Males in the ages of 25-44 had a higher rate of the TEA than females in the same age groups. While both younger females (age < 24) and older females (age > 5) had a higher rate of the TEA than males of the same age groups. But for the

established business ownerships (Figure 7), individuals in the age range of 35-64 had the highest proportion. Females are shown to have a higher rate of established business ownerships than males in the age range of 25-34 and the older age range (age > 55).

Indonesia is an efficiency-driven economy and has a lower global competitiveness level compared with other ASEAN countries, except with the Philippines and Vietnam (considered to be factor-driven). Nevertheless, Indonesia has encouraging entrepreneurial attitudes, such as high levels of social value and personal attribute, but low levels of goal orientation. But interestingly, it is goal orientation that has a positive and significant relationship with global competitiveness. One may theorize that, in the long run, countries like Indonesia need to think about their goal orientation related to entrepreneurship. Entrepreneurs in Indonesia may need to be encouraged to have higher levels of aspiration towards the economic impact of entrepreneurship to the society, through job creation, income generation, internationalization, and competitiveness. Further, compared to other countries in the ASEAN region, Indonesia has a high level of total early entrepreneurial activities but a low level of established business ownerships. This may mean that Indonesia is on its way towards being more globally competitive. Further investigations about how entrepreneurial activities would causally influence global competitiveness are called for.

**Figure 7**: Distribution of Established Business Ownerships by Age and Gender



## 6. CONCLUSION

In this article, the authors explore the relationship between entrepreneurial spirit and global competitiveness, contributing to the study of the relationship between entrepreneurship and economic development of a country. Entrepreneurial spirit is divided into entrepreneurial attitudes (social value, personal attributes, and goal orientation) and entrepreneurial activities (total early entrepreneurial activities and rate of established business ownerships). The correlational analysis shows that global competitiveness is related to personal attributes and goal orientation (two indicators of entrepreneurial attitudes) in the opposite direction while both indicators of entrepreneurial activities (total early entrepreneurial activities and rate of established business ownerships) are negatively related to global competitiveness. Overall, it appears that a country's entrepreneurial spirit and its global competitiveness would generally go in the opposite direction, except for its people's goal orientation. In other words, a country's goal orientation goes hand in hand with its global competitiveness. More studies are called for to understand the causality in the relationship between entrepreneurship and economic development.

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