ENTREPRENEURSHIP AS NEW APPROACH TO INCREASE BUSINESS PERFORMANCE: EMPIRICAL STUDY ON CHILI DAN RICE FARMING AT SLEMAN REGENCY YOGYAKARTA

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Introduction

Productivity and high profits are the two most important performance indicators in the analysis of farming. During this effort to improve the performance of farming more reached through approaches cultivation techniques. Through this approach, farmers are motivated, guided, mobilized and even directed by the rule to follow all government advice. Otherwise the role of farmers as the main actors have the ability, creativity and inventiveness less maximized. Based on the success of reality involving both farm production and income is not only dicide by the activities of cultivation techniques but also determined solely by the ability farmers either from a good farmer attitudes, knowledge and life skills which were carried out in preparation to operating a farm from planting to marketing the resulting product. Upon this fact, the internal potential of farmers in this study is represented by entrepreneurship owned used as an alternative approach to the improvement of farm performance.

Beside the productivity and profits, other performance indicators are also important to analyze, them are the price of output, technical efficiency and competitiveness (competitive advantage). Therefore, the performance improvement of a farm which covers at least five indicators important to continue to do. In this research effort to improve farm performance is associated with the entrepreneurial spirit that is owned by farmers.

This study tested the link between entrepreneurship in addition to farmers with farming also analyze the performance of its association with environmental factors. Hisrich and Peters (1992) states that entrepreneurship is a dynamic process which is always influenced by environmental factors. According Rougoor, et.al (1998) there are four external environmental factors that contribute to determine the entrepreneurial farmer, namely the physical environment, social, economic and institutional.

In this research, farmers entrepreneurship in relation to the performance of farm tested on curly red chilli farmers and rice farmers. Selection of these two types of farming is based on the level of risk and a different commercial level. Chilli farm commodities

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categorized as high risk and requires intensive treatment. Conversely rice crop which is conventionally viewed as low-risk commodities. The existence of differences in the level of risk is whether also have implications for entrepreneurial farmers. Selection of these two commodities is also based on the potential. Within the scope of the province of Yogyakarta Special Region (DIY), from 16 vegetable commodities, commodity chili is the most extensive of 2285 ha. Similarly from six food commodities and pulses, paddy is the most extensive, reaching 133,369 hectares (BPS Jakarta, 2008).

Research Objectives

The objectivess of this study are: (1) To know the influence of entrepreneurship on business performance, (2) To identify the the internal and external environmental (individual factors, social, economic, physical, and institutional environmental) that influence to the entrepreneurship.

Literature Review

1. Entrepreneurship

So far the study of entrepreneurship in the agricultural sector is still scarce, however, there have been several researchers who conduct they are Rougoor, et.al (1998), Baum, et.al (2001), Lee and Tsang (2001), Priyanto (2004, 2006) and Nugroho (2009). The research conducted by Rougor, et.al (1998) showed that the personal aspect of managers who are measured from the background, motivation, skills and capabilities of, a tiered effect on the decision making process, technical and biological processes, and ultimately affect the agricultural output, as measured indicator of technical efficiency, cost and economic efficiency.

Rougor, et.al research (1998) became so concrete when riview research Baum, et.al (2001) and Lee and Tsang (2001). Although not performed in agricultural commodity, but research Baum, et.l (2001), has been able to formulate a model of entrepreneurship to form an integrated model of business growth. Recommendations put forward by Rougor, et.al (1998), Baum, et.al (2001) and Lee and Tsang (2001) subsequently responded by Priyanto (2004, 2006). Priyanto Research (2004, 2006), in addition to accommodating recommendations put forward by Rougor, et.al (1998) that needed to be done step-wise analysis, the study also include the influence of the internal aspects of the suggested Baum, et.al (2001) which consists of attitudes, skills, experience and learned behavior and is

variables also led to entrepreneurship. In addition Priyanto model (2004) is more complex, more actual than that modeled by Rougor, et.al (1998), and much more hierarchical than the model studied Baum, et.al (2001) and Lee and Tsang (2001). Research conducted by Priyanto (2004, 2006) is so far the only one applied research on entrepreneurship in the farm sector.

2. Management Capacity

The latest development of farm management states that management has become the fourth production factor after land, labor, and capital. Many articles that emphasize the importance of agriculture management capacity and farmers' entrepreneurship to obtain the maximum business performance. But the problem that often arises is the difficulty of obtaining information on the management process (Priyanto, 2004). Even the process of management in agricultural management is still a black box (Rougor, at.al., 2001). Even if there is research on management, are generally much emphasis on technical aspects, so that the managerial aspects, social aspects, and aspects of the psychology of farmers in decision-making process often go unnoticed (Priyanto, 2004). Gallacher, et.al research (1994), entitled managerial form, ownership and efficiency, aiming to test the hypothesis that efficiency is a function of the type of management, concentration of the owner and manager monitoring mechanism. The results showed that the management, the concentration of the owner and manager monitoring mechanisms have a major impact on the efficiency of both technical efficiency and cost efficiency.

3. Technical and Biological Processes

So far research on technical and biological processes within the scope of agricultural economics quite a new approach. Generally, the study done by researchers do not pay attention to the agricultural economy of technical and biological processes. Generally associated with more technical process viewed as inputs that farmers use, such as the number of seeds, fertilizer, labor and land. Instead the role of farmers into the technical processes and biological activities are not considered. This study in addition to considering the use of inputs are also detect the role of farmers in each phase of activity in crop growth of rice and chilli from planting to harvest preparation.

Theoretical Background

1. Entrepreneurship theory

By nature in the human structure, there are two important elements that become building blocks, namely body and soul. In the soul there who have the passion, dream, dare to try, passion, creativity, and vision of life. Spirit, dreams and rivals is an entrepreneurial spirit. In reality not everyone has the entrepreneurial spirit. Thus in the soul of man there who have the entrepreneurial spirit and some who do not have the entrepreneurial spirit (Priyanto, 2008).

According to the theory of the social construct of entrepreneurship, there are three models of community construction of a building's character. The model are: (1) model of objective reality, according to this model that followed the establishment of a cultural society in where he stay and lives, (2) subjective reality model shows that the formation of a follow norms, values and expectations are formed since birth then the value is joined with the values of other individuals, (3) the combined model of subjective and objective models, this model illustrates that communities and individuals interact with each other to form a society that is constantly changing.

On the other hand the formation of the entrepreneurial spirit is also determined parenting system that made the family. According Priyanto (2008) there are three systems that do family upbringing. First, the family that adopts a democratic parenting will produce an independent child, can control themselves, have a good relationship with friends, have an interest in new things. Second, families who adopt authoritarian parenting, will produce a timid child characteristics, quiet, introverted, did not take the initiative, like the violation of norms, weak personality. Third, families with permissive parenting, child character will produce impulsive, aggressive, disobedient, spoiled, less independent, less confident, and less socially mature. Fourth, the pattern of neglect, foster care, will produce children's aggressive, less responsible, will not budge, absenteeism, low self-esteem, and problems with friends. According to the theory, then the democratic parenting style will produce children who have a high entrepreneurial spirit.

2. Mangement Theory

Carl C. Melone in Soehardjo and Patong (1973) states that farm management is described as the ability of farmers in determining, organizing and coordinating the use of production factors varied as effectively as possible so that agricultural production result in

higher production. According Nureni and Hidayat (2001), to increase production and profitability of farming, farmers need the knowledge and lifeskills, economic aspects of farming; maintenance of machinery and maintenance; credit and finance; marketing; workforce management and information; and information retrieval.

Based on the results of the identification of at least 11 definitions of management and in this study is defined as the implementation of management functions to achieve certain goals. At least there are 9 opinions expressed about the management function but in this study selected the four functions of management which includes planning, organizing, implementing, and controlling.

3. Theory of Structural Equation Modeling (SEM)

SEM is a statistical modeling technique that is very cross-sectional, linear and general. Included in this SEM is factor analysis, path analysis and regression. Another definition states that SEM is a statistical technique used to build and test a statistical model which is usually in the form of causal models. SEM growing and has a function similar to multiple regression, SEM nevertheless seems to be a more powerful analytical techniques for modeling considering interactions, nonlinearity, the independent variables are correlated, measurement errors and disturbances are corelated error term. According to this definition SEM can be used as an alternative that is more robust than using multiple regression, path analysis, factor analysis, time series analysis, and analysis of covariance (Narimawati and Sarwono, 2007).

4. Productivity Theory

Productivity is the ratio of output and input or output number generated from the use of certain inputs such as land, capital, labor, time and others. Beets (1990) defines productivity as the amount or volume of products or main services provided by the company within a certain time. Productivity can be measured at three levels of individuals, groups and entire organizations. In this study, productivity was measured at the level of individuals with physical units per acre is used.

4. Competitiveness Theory

Latest concept of competitiveness is the ability of a country or company to maintain and increase market share in profitable and sustainable through the use of

comparative advantage (Porter, 1985; Martin et al, 1991; and Tweenten, 1992). Understanding the operation of competitive advantage is the ability to supply and services on time, place and form that consumers want, both in domestic and international markets, at prices equal to or better than the marketed competitors,

5. Efficiency Theory

Technical efficiency is the ability to get the maximum output by using the input level or a specific resource. The efficiency of the price or allocative efficiency is a condition in which the value of marginal product (VMP) with the same input prices (Px). Economic efficiency is a combination of efficiency technical and price efficiency (Soekartawi, 1990). This study will measure only technical efficiency used frontier production function (Widodo, 1986).

6. Profit Theory

According Soekartawi (1994), profit is the difference between total revenue and costs. Acceptance is the production of output multiplied by the price received by farmers. Production is the physical result. Output prices is the market price received by farmers at the time of selling the products produced. Cost is the total cost incurred, including costs of farmers both explicit and implicit costs. Explicit costs are costs actually incurred by the farmers which include the cost of buying seed, fertilizer, medicine, labor and piracy. While the implicit costs are costs incurred that are not explicitly but taken into account, these costs include labor in the family, depreciation, rent and interest.

Hypothesis

The hypothesis of this study are: (1) entrepeneurship has influence on business performance, (2) internal and external environmental that consits of individual, social, economic, physical, and institutional have influence on the entrepeneurship.

Method

The object of this study are chilli farmers at the Cangkringan district and rice farmers at Prambanan district of Sleman regency, Yogyakarta province at 2009/2010. Type of data used in this research is the primary data that collected directly from the

respondents. Methods of data collection was done by using direct interviews to respondents based on the list of questions.

To test the hypothesis are used Structural Equation Model (SEM) approach. The steps of SEM analysis is: (1) Development of a model teoritism (2) Constructing the path diagram, (3) Conversion path diagram to the structural model and measurement, (4) Selecting the input matrices and estimation models, (5) Identify the emergence problem identification, (6) Evaluation of Goodness of Fit (GOF), and (7) Interpretation and modification of the model.

Result and Discussion

1. The influence of entrepreneurship on business performance

a. Case study on chili farm performence

Based on the analysis, the empirical structural equation model of chilis' business performence can be shown by Figur 1. Base on the above figur, the direct effect of the entrepreneurship to the business performence can be shown by the coefficient 0,56 (path from entrepreneurship to the performence). Base on the result entrepreneurship has positif effect to the performence. It means if there is increasing of farmers' entrepreneurship (that be mesured of needs of achievment, independency, risk taking, creativity, self confidence, knowledge, skill, and market orientation), will be followed by increasing of business performence (that be mesured of productivity, farm profits, technic efficientcy, and competitive advantage).

Besides has direct effect on business performence, entrepreneurship olso has indirect effect to the business performence. Indirectly, the effect of entreprenurship to the performence are through management capasity and technical-biological prossese. Through management capasity, effect of entrepreneurship to the business performence is positif 0,083 (path from entrepreneurshi to management capasity 0,49 multiple coefficient from management capasity to business performence 0,17). Through the technical biological prossese, the effect of entrepreneurship to the the business performence is 0,071 (0,34 x 0,21). Indirectly total effect of entrepreneurship to the bussines performence is 0,154. Base on the analysis, indirectly entrepreneurship olso has positif effect to the performence.

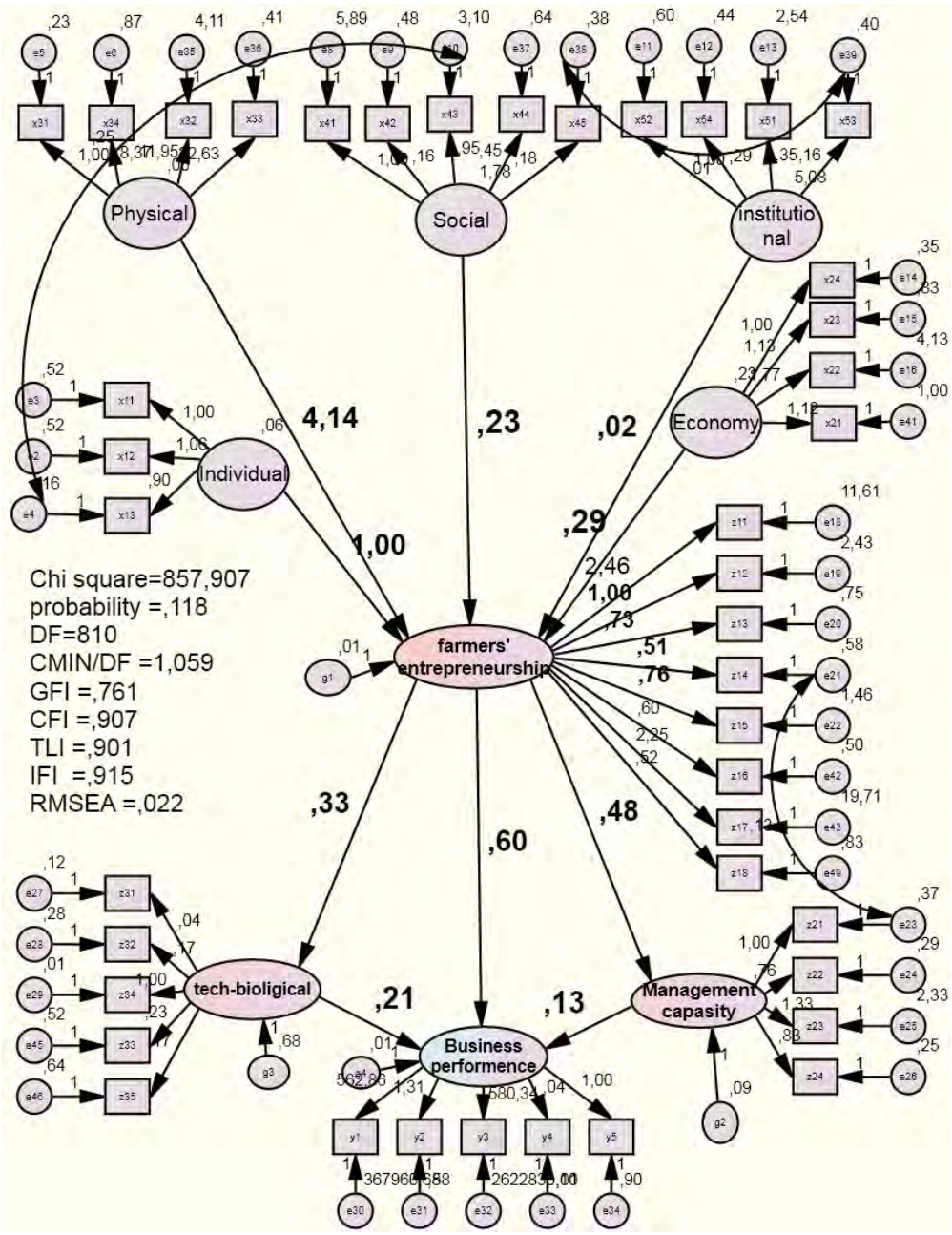

Figure 1. Empirical SEM of Chilis' Farm Performence

Based on the result analysis both direct and indirect effect entrepreneurship has positive effect on business performence. This result means that if there is increasing of farmers' entrepreneurship will increase business performence.

Based on the statical analysis, the effect of entrepreneurship to the performence both direct and direect effect can be presented in the following equation:

1. Management Capacity = 0.485 Z1** .....(1)
2. Technical Biological Process = 0.327 Z1**..... .....(2)
3. Business Performance = 0.597 Z1 + 0.214 Z2 ** + 0,171 Z3 ... . (3)

Z1: entrepreneurship, Z2: management capacity, Z3: technical- biological process, (**) indicate significant at $\alpha = 0.05$

Based on the equation (1), (2), (3) all the coefficient of entrepreneurship to each business performance, management capacity and the technical biological processes is positive. The results of this analysis indicate that farmers entrepreneurship have a positive influence both on the business performance, technical biological processes, and management capacity. Based on the results of the statistic test, entrepreneuriship has significant effect both on farm performance, management capacity, and technical biological processes. That is indicate that entrepreneurship has a significant effect to increase business performance, capacity management, and technical biological processes.

B. Case Study on Rice Farm Performence

Base on the analysis, empirical SEM of rice farm performence can be shown by Figure 2. Based on the direct effect, entreprneurship has positif effect to the performence. Directly, the effect of entrepreneurship to the performence is shown by coefficient 1,00 (path from entrperenurship to the performence). This result indicate that entreprneurship has positive effect to the performence. It means that if there is improvement of farmers entrepreneurship will be followed by increasing of rice business performence.

Based on the indirect effect, entrepreneurship olso has positive effect to the entrepreneurship both trough management capacity and technical biological processese. Indirectly, effect of entrepreneurship to the performence through management capacity is 0,067 (from 6,07 x 0,01).

Through technical and biological processes, the effect of entrepreneurship to the performence can be shown from coefficient 1,809 (from 1,310 x 1,478) . Based on the number, can be explained that increasing of entrepreneuship will be followed by the performence.

In the math equation, the effect of entrepreneurship to the performence direct and indirectly can be written again in the following equation:

1. Management Capacity = 6,592 $Z1^{**}$..... (4)
2. Technical Biologycal processes = 1,478 $Z1^{**}$.....(5)

3. Business performence = 1,000 Z1** + 0,066 Z2 + 1,310 Z3** …….. (6)

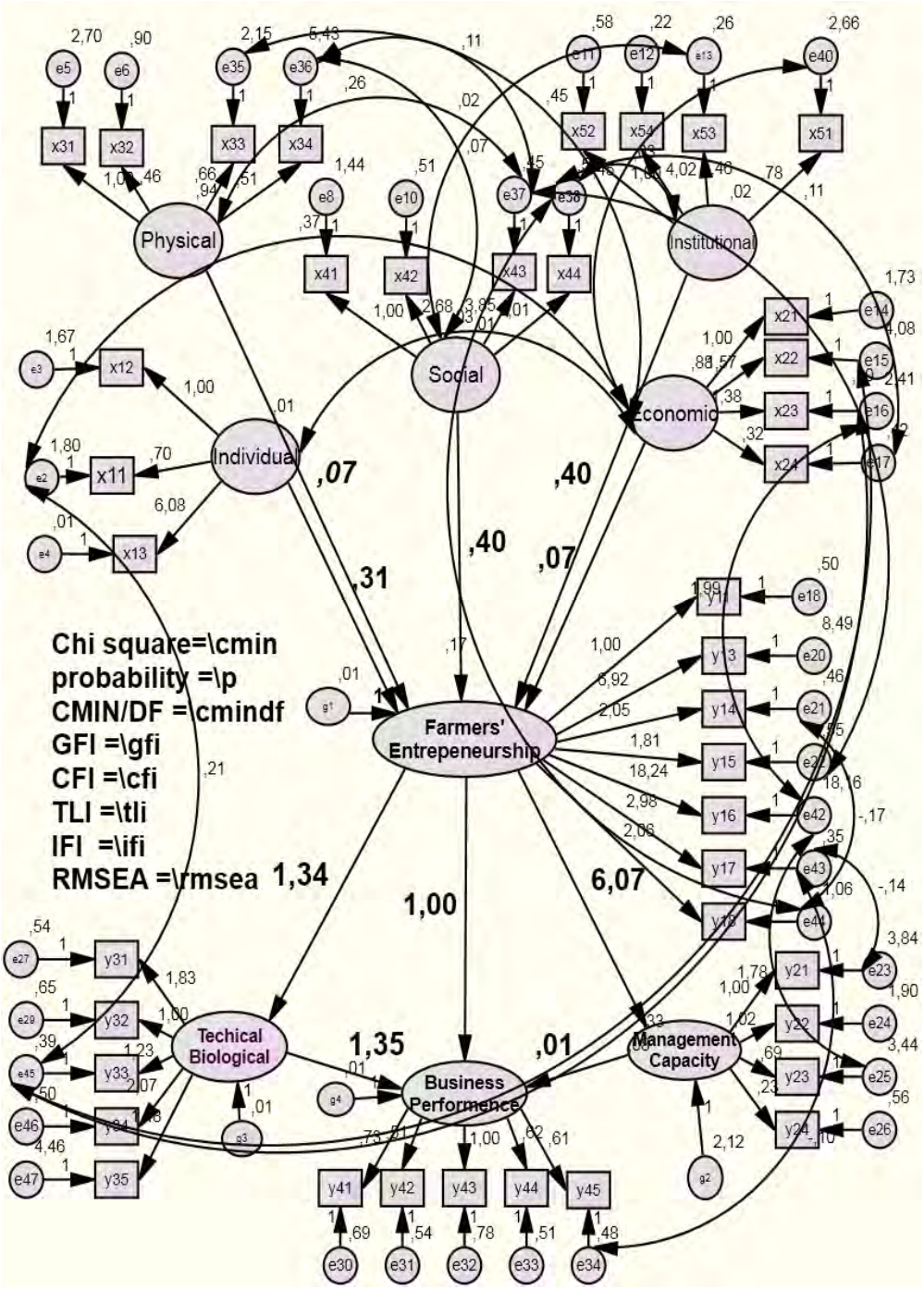

Figure 2. Empirical SEM of Rice's Farm Performence

Based on equation (4), (5) and (6), enterpreneurship (Z1) has positive influence to the performence. The effect of entrepreneurship either to entrepreneruship, management capacity, or technical biological processese is significan positive. It means that

entrepeneurship has impotent effect to the entrepreneruship, management capacity, or technical biological processese.

Base on case study both on chili and rice farm performence shown that entrepreneurship has significan effect to the performence. Based on the result so can be concluded that entrepreneurship can be new approach to increase business performence.

2. The internal and external environment that influence to entrepreneurship

a. Case study on chili farm performence

Base on the empirical SEM model at Figure 1, all the internal and external environment (individual, physical, social, economic, institutional) have positive coefficient. The result show that both internal and external environmental have positive effect to the entrepreneurship. But of 5 environmental not all environment have significant effect to the entrepreneurship. To know the enviromental that has significant effect to the entrepreneurship can be show in the following equation:

Farmers' entrepreneurship = $1{,}0\ X_1 + 0{,}33\ X_2^{**} + 3.03\ X_3 + 0{,}67\ X_4^{**} + 0{,}08\ X_5$

$R^2 = 0{,}975$

Description:

X1 = individual; X2 = economic, X3 = physical; X4 = social,X5 = institutional, (**) indicates significant,

The above equation besides can show the effect of 5 environmental to the entrepreneurship olso show the environmental that has significan effect to the entrepreneurship. Based on the above equation can be show that just two of five environmental that have significan effect to the entrepreneurship. The two environmental that have significant effect to entrepreneurshi are economic (X2) and social (X4). The result show that just two environmental have significan effect on the entrepreneurship. It means that if we want to increase farmers entrepreneurship so two environment that must be manage as condusive as posible.

In the social environment there 5 important aspect that be analysis in the research: (1) supported from family, (2) community, (3) goverment, (4) work spirit, and (5) diversification of farm management. Supported of family very importent in succesing of farm management. The support that be needed by the farmer are, thought, effort and funding.

The support from the community that are important to to be grown are : (1) bond of kinship that exists among the farmers, (2) whether or not easy to find loans among farmers in the form of cash or in kind as in the form of seeds, fertilizer and pharmaceuticals, agricultural tools (a hoe, sickle, handsprayer), (3) together in accepting the division of irrigation water in rotation, (4) compactness in controlling pests and diseases together, (5) is not difficult to find workers to perform certain activities, (6) of togetherness in a group of farmers, and (7) the level of openness between farmers to exchange information or exchange ideas on crop cultivation.

From the goverment, the form support are support from the government, among others, the form of credits, technical assistance, the stability of output prices, and creative agricultural extension.

In the economy enviromental, there are 4 aspect that so impotant to make economy : (a) the development of farm income, (b) the development of input markets, (c) the price of fertilizer subsidy policy, (d) development of the output market. To triger farmer in order farmers hve hight entrepreneurship must make the all aspek as conducive as posible.

b. Case Study on Rice Farm Performance

Based on the figure 2, the effect of internal and external environmental olso can be shown based on Figure 2. Based on Figure 2 the all internal and external environmental, individual, economic, physical, social, and institutional have positive coefficient. The result mean that all environmental have positive related to the entrepreneurship. To know the internal and external enviromental that has significant effect to the entrepreneurship can be show according the following equation:

$$\text{Farmers' entrepreneurship} = 0{,}286\ X_1 + 0{,}072\ X_2^{**} + 0.050\ X_3^{**} + 0{,}411\ X_4 + 0{,}373\ X_5 \quad \ldots(2)$$

Description

X1 = individual; X2 = economic, X3 = physical; X4 = social, X5 = institutional, (**) indicates significant,

Based on the above equation just two environmental that have significant effect to the entrepreneurship. The two enviromental are economic (X2) and physical (X3). It

meas just two environmental that have significant effect to inrease entrepreneurship. On the other hand, if want to increase farmers entrepreneurship the both enviromental have to manage as conducive as posible.

Phycical environmental that to give attention are climate, physical infrastructure, development of cultivation technologies, and development of information and communication technology.

Conclusions

1. Farmes' entrepreneurial both of chilli farmers and rice farmers have a significant influence on business Performence. Farmes' entrepreneurial besides has direct influence on farm performance also have indirect effect on farm performe, trough management capacity and technical biological process. Either through capacity management and technical-biological processes, farmers' entrepreneurship also showed a positive influence on farm performance. This means that improvements performance can also be enhanced through farm management capacities and through technical biological procsses. Improved performance through the technical process of biological farming is more high impact than through management capacity both on chili farmers and the rice farmers. Farmers' entrepreneurship beside has direct influence on management capacity, technical biological processes, and farm performance olso has indirect effect to all indicator of farm performence, management capasity, and technical-biological processe.
2. Social environmental factors (as measured by indicators of family support, community and government as well as work spirit and variaety of farm) and economic environmental factors (as measure by farm income, input markets, the price of fertilizer subsidies, and output markets) are two environmental factors that have significant effect on chili farmers' entrepreneurship. Physical environmental factors (as measured by physical means, climate, cultivation technology, and technology of communication information) and economic environmental factors (as measured by the same indicators on the economic environment of chili farmers) are two environmental factors which significantly influence to the rice farmaers' entrepreneurship.

Policy Implications

Based on the first conclusion, farmers' entrepreneuriship can be considered as new alternative approach to inrease farm performance. Of course this conclusion is not final, in the sense to actually make entreprneurship as an approach or a new paradigm for agricultural development still requires a lot of research on entrepreneurial farmers. However, the results of this study at least can be a new discourse to follow up in more depth.

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