

# **Entrepreneurial Experience for Entrepreneurial Success in Ethnic Minang Entrepreneurs Indonesia**

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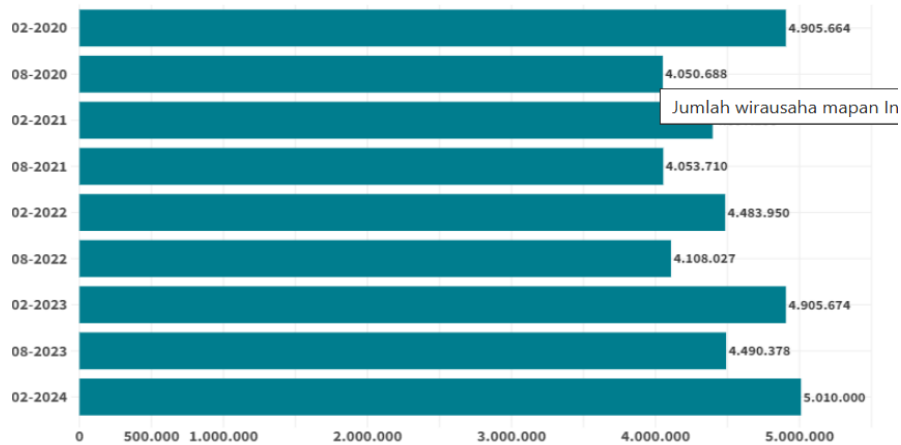
**Abstract.** This study aims to find out how the influence of entrepreneurial experience on the success of ethnic Minang entrepreneurs. The people of West Sumatra live an entrepreneurial life and are famous for the Minang ethnicity and almost 34 percent of them live migratory as entrepreneurs in all regions in Indonesia. This study uses a quantitative approach using 150 samples, namely Minang ethnic entrepreneurs who have been entrepreneurs for at least 5 years. Data processing using SEM with PLS. The results of the study show that there is a significant influence between entrepreneurial experience and the success of ethnic Minang entrepreneurs.

**Keywords:** entrepreneurial experience, entrepreneurial success, SEM-PLS, Minang ethnicity

## **INTRODUCTION**

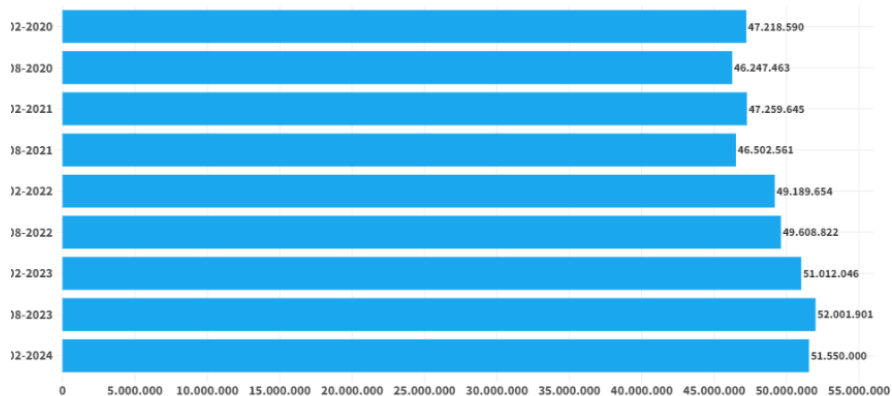
The development of business today begins with the development of entrepreneurship. Entrepreneurship is a place for entrepreneurs to run their businesses. The development of the entrepreneurial field has received serious attention from both academics, entrepreneurs and also the government as a regulator [1]. Many developments and businesses that are the spearhead of economic growth start from the development of entrepreneurship which globally has an effect on several fields such as the economy, tourism and other fields [2]. The number of entrepreneurs is currently increasing, where in 2024 according to data from the Indonesian Central Statistics Agency (BPS), there are around 5.01 million established entrepreneurs as of February 2024. This number increased compared to February 2023 by 2.04%. Not only that, the number of established Indonesian entrepreneurs for the first time in history has managed to break through the 5 million mark. This number is the highest since 2013.

Number of Established Indonesian Entrepreneurs  
(Februari 2020-Februari 2024)



Meanwhile, the number of Indonesian start-up entrepreneurs has actually decreased. As of February 2024, there are 51.55 million novice entrepreneurs in Indonesia (BPS).

Number of Indonesian Startup Entrepreneurs  
(Februari 2020-Februari 2024)



Although the number of Indonesian start-up entrepreneurs has decreased, the number is still much higher than the number of established entrepreneurs in the country. As many as 29.11 million novice entrepreneurs are trying joints, while the remaining 22.44 million are working with the help of non-permanent/unpaid workers. The number of novice entrepreneurs did decrease by 0.9% when compared to the August 2023 period, but increased by 1% compared to February 2023 [4]. By looking at the current system, it is necessary to see the extent to which entrepreneurship is able to contribute to advancing the economy in a sustainable manner. Universities have been seriously talking about creating entrepreneurial students by improving scientific abilities in all fields in the hope of being able to foster creativity, innovation, and business that has an impact among their graduates and the most common is having a business [3] What has been done is that many large companies have channeled in the form of programs such as high-quality startups launched in recent decades established by new graduates to be able to create new jobs for the public [5]. who asserts that colleges or formal schools can serve as an arena for knowledge creation and innovative entrepreneurship [6]

However, so far what has attracted a lot of attention is the creation of entrepreneurs to be innovative through formal education, if you look at academic knowledge limited to the sustainable growth of companies in being able to increase business ventures, and this is one of the sources of improving entrepreneurial performance and the current entrepreneurial economy. There are not many studies to see whether entrepreneurial experience is one of the ways to improve the entrepreneurial ability of entrepreneurs or business owners. Previous research has shown that entrepreneurial experience is essential for entrepreneurial achievement not only during the entrepreneur's next career life but from the very beginning of running a business, previous experience is very meaningful [5–7] but there are still many who overlook it even though it is also essential for the long-term development of the entrepreneurial company [8]. However, there is currently almost no consensus regarding the specific impact of the entrepreneurial experience. On the one hand, the dominant perspective is that entrepreneurial experience can enable entrepreneurial companies to explore new opportunities in a timely manner in a dynamic environment that is very uncertain but this is not seen in entrepreneurial development and in formal education this is not widely obtained naturally, whereas this is what can create profits for the company in the future but there is still a lack of number in achieving the goal [9]. Thus, entrepreneurial experience can improve the ability to acquire resources, how to strategize in advancing the business, how to develop a good condition in developing a business, including in terms of preparing the ability to take risks [10]. We can see when entrepreneurs build social networks in order to build a business quickly, which looks more dominant is that entrepreneurial experience can allow entrepreneurial companies to explore opportunities .

Entrepreneurs in their activities are always faced with various problems that require sufficient knowledge and competence in managing a business and making the right decisions. One of the knowledge and competence of an entrepreneur can be obtained from experience [11] because entrepreneurs can learn from past mistakes so that they do not repeat the same thing in the future [12]. Experience provides knowledge of industry norms, industry information so as to understand customer needs and wants and serve customers better than competitors [13] Entrepreneurs who have managerial experience have a higher probability of success in doing business than entrepreneurs who do not have managerial experience [14] . Entrepreneurs who have experience will have a wider and more efficient social network than entrepreneurs.

The entrepreneurial success experiences of several that have been found in previous studies have a positive relationship with the success of new ventures [15]. Entrepreneurs who have worked in different industries can accumulate different experiences, knowledge, skills, and social network building are also very different, which in turn can affect the process of entrepreneurial behavior [16] . In this study, to see the dimensions of entrepreneurial experience, it will be adopted from several previous studies. There are three dimensions of entrepreneurial experience for entrepreneurs [17], namely: (1) Past success experiences, i.e. showing a number of entrepreneurial successes in managing a previous business (Dimov, 2010; (2). Experience in the relevant industry is to show whether an entrepreneur has experience in the same industry (3). Managerial experience in previous ventures [17]. Experience in related industries and successful experience in entrepreneurship can accumulate an effective social network for entrepreneurs [18]. Likewise, entrepreneurship with managerial experience will contribute to business success [14], all of these dimensions support each other in shaping entrepreneurial experience variables.

West Sumatra is an area where the majority of the population is entrepreneurial and this is supported by the customs and culture of the Minang ethnic community which is the custom of basandi sarak and sarak basandi kitabullah where the culture is carried out by increasing independence and the culture of migration and independence for youth or young people becomes a hereditary culture that can quickly increase maturity by entrepreneurship. 17-year-olds already have to be independent and work alone to meet the needs of life and this makes them from a young age have been equipped with an independent life and it is carried out by entrepreneurship [5]. Based on some of the literature read, there are still few studies that reveal entrepreneurial experiences to achieve good performance and also for entrepreneurial success. So this research is very important to be developed in the

discussion of measuring entrepreneurial experience to achieve entrepreneurial success with the case of Minang ethnic entrepreneurship in Indonesia.

## METHODS

In this study, the methodology used is nomothetic by using systematic techniques, making hypotheses and testing and analysing them to achieve research objectives. This study tests the hypothesis of several variables based on a supporting theory to see the relationship between variables carried out quantitatively with a survey method approach using a questionnaire instrument conducted on entrepreneurs with an analysis unit of food MSME owners in six locations in West Sumatra which are disaster-prone areas. This study has several latent variables, namely entrepreneurial experience and entrepreneurial success. By using statistical analysis tools in the form of the Structural Equation Model (SEM), the relationship between latent variables (structural model) and also the relationship between latent variables and manifest variables (measurement model) with PLS applications will be seen. Questionnaires offer research instruments consisting of a series of questions and answers that are further processed numerically and for these questions can be considered as empirical observational measurements [19]. Quantitative data derived from empirical observations can then be statistically analyzed resulting in unbiased results that can be generalized to a larger population. This study uses a questionnaire instrument as one of the tools to collect data. Because the instrument is one of the tools that meets the academic requirements in collecting data that can be used as one of the requirements in the quantitative method [19]. This study uses two variables, namely entrepreneurial experience and entrepreneurial success. For entrepreneurial experience, there are three dimensions, namely past experience, experience in relevant industries, and managerial experience, while for entrepreneurial success, there are four dimensions, namely financial performance, operational performance, satisfaction and knowledge.

This study uses survey research by taking samples for 100 respondents who are ethnic Minang entrepreneurs. Sampling was done using a questionnaire with the determination of the number of samples using the Lemeshow formula [20] because the population was unknown so that the number could be at least 100 by processing using smart PLS. Lemeshow Formula :

$$n = \frac{z^2 \cdot p(1-p)}{d^2}$$

Description: n = Number of samples Z = Level of confidence required in determining the sample 95% = 1.96 , p = Maximum estimate = 50% = 0.5 and d = Error rate Based on the formula above, the number of samples in this study can be determined with a confidence level of 95%, p value = 0.5; d = 0.1 and Z = 1.96, then the sample size is:

$$n = \frac{z^2 p(1-p)}{d^2}$$

$$n = 1,96^2 \cdot 0,5 (1-0,5)$$

$$n = \frac{3,8416 \cdot (0,25)}{0,01}$$

$$n = 0,9604$$

$$0,01$$

$$n = 96,04 \text{ respondent}$$

From the results of the calculation, the number of samples was obtained as many as 96.04 respondents. Then to anticipate the wrong questionnaire filled out by the respondents, a sample of 100 respondents was set for this study.

In this study, entrepreneurial experience uses 3 dimensions and entrepreneurial success uses 4 dimensions which is the development of variables.

## RESULTS AND DISCUSSION

### Characteristics of Respondents

After data tabulation, the characteristics of 100 respondents of family business owners in West Sumatra can be grouped as seen below:

Table 1. Characteristics of respondents by Age

Age	Frequency (People)	Percentage
20-30	17	17%
31-40	29	29%
>40	54	54%
Total	100	100%

### Measurement Model (Outer Model)

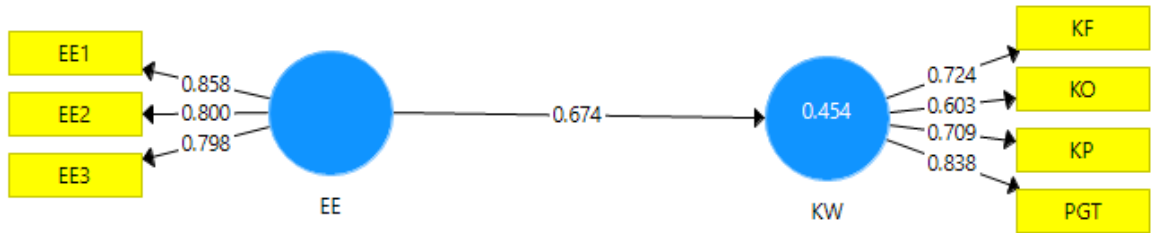
The measurement model defines how each indicator block relates to its latent variable. This model is used to determine the validity test of the construct using convergent and discriminant validity and the reliability of the construct using composite reliability and cronbach alpha [21]. The Convergent validity value is obtained by looking at the correlation between the score of the item and the score of its construction. Individual indicators are declared valid when they have an outer loading value above  $> 0.70$  and AVE  $> 0.50$ . Furthermore, if the AVE value is  $> 0.50$ , then the outer loading can use a  $>$  value of 0 [21]. However, at the research stage of development, the large outer loading value from 0.50 to 0.60 is still acceptable [22]. Then to state a reliable construct, it can be seen from the composite reliability value and cronbach alpha which is above 0.70 [21]. The following are the test results in table 2:

Table 2 Outer Loading, AVE, composite reliability and cronbach alpha test results

		Outer Loading	AVE	Cronbach's Alpha	Composite Reliability
Entrepreneurial Experience	EE1	0.858	0,671	0,758	0.859
	EE2	0.800			
	EE3	0.724			
Entrepreneurial Success	KF	0.724	0,659	0,699	0.813
	KO	<b>0.603</b>			
	KP	0.709			
	PGT	0.838			

Source : Primary data processing results (2024)

The results of processing using SmartPLS can be seen in the table above The value of the outer model or the correlation between the construct and the variable shows that overall it has a loading factor value greater than 0.5 so that the construct for all variables is valid. In accordance with the criteria of convergent validity so that it can be continued to the next stage, namely the discriminant validity test (Discriminant validity. From Table 2, it can also be seen that the values of Cronbach's Alpha and composite reliability for all variables in the form of Entrepreneurial Experience, Entrepreneurial Success are greater than 0.70 which shows that all variables are declared reliable. For more details, see Figure 1.



**Figure 1**  
**Loading Factor**

The discriminant validity test uses cross loading of the construct. The terms are as follows: if the correlation of the construct with the measurement item is greater than the size of other constructs, then it shows that the latent construct predicts the size of their block better than the size of the other block [21].

Table 3 Results of Discrimination Validity Testing Using Cross Loading

	<b>Entrepreneurial Experience</b>	<b>Entrepreneurial Success</b>
<b>EE1</b>	<b>0,858</b>	0,518
<b>EE2</b>	<b>0,800</b>	0,633
<b>EE3</b>	<b>0,798</b>	0,480
<b>KF</b>	0,457	<b>0,724</b>
<b>KO</b>	0,305	<b>0,603</b>
<b>KP</b>	0,440	<b>0,709</b>
<b>PGT</b>	0,659	<b>0,838</b>

Source : Primary data processing results (2024)

From table 3, it can be seen that the correlation value of the variable Entrepreneurial Experience, Entrepreneurial Success to the indicator is greater than the correlation value between variable indicators and other variables. This suggests that latent constructs predict the size of their blocks better than the size of other blocks [21].

Testing the Structural Model (Inner model)

The assessment structural model uses R-square and t-test and significance of parameter coefficients to test hypotheses. The value of R-squares is used to assess the ability of independent latent variables to explain dependent latent variables whether they have substantive explanatory ability [21]. The value of the R-square estimate can be seen in Table 3 below.

Table 4 R Square Rating

	<b>R Square</b>	<b>R Square Adjusted</b>
<b>KW</b>	0,454	0,449

Source : Primary data processing results (2024)

From table 4, it can be seen that the R-Square value for the Entrepreneurial Success variable is 0.454. This value shows that 45.4% of the Entrepreneurial Success variable can explain the Entrepreneurial Experience in Indonesian Minang Ethnic Entrepreneurs while the remaining 54.6% is explained by other variables that are not explained in this study.

### Hypothesis Testing

The hypothesis/significance test of the value can be obtained from the output results of the path coefficient (Mean, std-dv, and T-value). Furthermore, the original value of the sample is used to show a positive (+) or negative (-) correlation. A hypothesis is accepted if the t-value is calculated  $>$  the t-table with a confidence level of 95% or a significance level of 5%, or when the significance value is less than 0.05, it means that it has a significant influence [21].

In this study, the test of the hypothesis results was declared accepted for the results of the two-tailed hypothesis (2-way hypothesis) with the provision in the form of a large statistical t-value from the t-value of the table (1.98) to the degree of significance of 0.05 [22-23]. The results of the hypothesis test of direct influence (path coefficient) and indirect effect (indirect effect) in this study can be described as follows:

Table 5 Path coefficient Test Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Keterangan
H1 Entrepreneurial Experience -> Entrepreneurial Success	0.674	0.685	0.045	15,128	0.000	Diterima

Source : Primary data processing results (2024)

The results of the first hypothesis test showed that the original value of the sample of the influence of Entrepreneurial Experience on Entrepreneurial Success was positive at 0.674 which showed that the direction of influence was positive. The t-statistics value is  $15.128 > 1.98$  with a p-value value of  $0.000 < 0.05$ . Based on the results of the data analysis of Entrepreneurial Experience has a significant effect on Entrepreneurial Success in Minang Ethnic Entrepreneurs in Indonesia, thus the first hypothesis is accepted. Ini selaras dengan penelitian yang dilakukan [24] and [25] that experience has a great influence on entrepreneurial success and that such a thing also happens to ethnic Minang entrepreneurs.

## CONCLUSIONS

Based on the results of the analysis of the research and discussions that have been carried out, it can be concluded that Entrepreneurial Experience has a significant effect on Entrepreneurial Success in Minang Ethnic companies in Indonesia. The limitation of this study is that the sample is still small, namely 100 ethnic Minang entrepreneurs with two variables and the next research can increase the number of respondents and can also be connected with other variables such as entrepreneurial resilience and other related variables.

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