A study of collective entrepreneurship model as an alternative in empowering Micro, Small and Medium Enterprise (MSME) cooperatives

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ABSTRACT

Entrepreneurship is essentially a knowledge problem. The cognitive underpinnings of entrepreneurship are the heart of the problem. Entrepreneurs rely on different types of knowledge when identifying and developing profit opportunities through their entrepreneurship. This study is an attempt to answer the question on maintaining and empowering entrepreneurial capability by focusing on the understanding of collective entrepreneurship as the development of individual entrepreneurship (traditional entrepreneurship). This study is using concurrent triangulation approach as a research method. It is a strategy employing mixed approach between quantitative and qualitative applied side by side or with the same time (within a span of time). The representative sampling is using purposive sampling of MSMEs and MSME Cooperatives in Malang. Structural Equation Modeling (SEM) method is implemented as an analysis model of quantitative approach that uses value to answer the research problems and to achieve the objectives of this research. The results show that the existence and the empowerment of MSMEs and Cooperatives are triggered by the aspects of psychology and the ability of the individual that become the internal aspects and institutional structure factor (external aspect) has a positive association with the performance of MSMEs and cooperatives.

1. INTRODUCTION

Economic crisis, impact of reform, and the rapid flow of globalization have significantly affected the poor economic condition of Indonesian people. Industrialization and urbanization in urban areas are frequently accompanied by poverty. While the prolonged economic crisis has led to low income, low purchasing power, increased price of goods
and basic needs, decreased production capability, increased termination of employment, and increased poor people in urban areas.

The presence of Micro, Small and Medium Enterprises (MSMEs) helps the people fulfill their daily needs. Some entrepreneurs survive in running this enterprise for many years, so that MSMEs can grow and thrive in times of the economic crisis. Minister of Cooperatives and MSMEs, Sharif Hasan explained that the data of trade turnover of MSMEs, particularly for small enterprise group in Indonesia up to 2010 is estimated to reach Rp 600 trillion a year (Radar Banjarmasin, July 27, 2011). This tendency indicates that the development of the MSME sector during the crisis has a positive effect on the purchasing power of the lower class. MSMEs are part of the hidden economy, which means that there are unreported economic activities related to the production activities in household and other unlisted activities (Basri taken from Kompas Daily, February 10, 2003). MSMEs, in Indonesia, are the people’s economic base that can get up quickly and has a high flexibility. In addition, these enterprises are easy to manage and able to adjust to the local raw materials in accordance with the current economic conditions.

Since the crisis in August 1997, the threat of external factors has influenced the structure and behavior of MSMEs in Indonesia (Thee, Brazier & Sianipar 1999). On the one hand, the growth of MSMEs is quite fast when it is seen from the durability. Various studies indicate that MSMEs relatively have the power to survive in the face of shocks (Suryana 2003). In addition, MSMEs are also considered to be able to absorb a large employment and more flexible in any changes. The contribution of MSMEs to Gross Domestic Product (GDP) is still considered low because the expected profit is still very small. In 2009 and 2010, the contribution of MSMEs to the GDP was 43 percent and it was still low when compared to the total number of MSMEs. The contribution of MSMEs to GDP was only 52.1 million rupiah in 2009, and as much as 53.2 million rupiah in 2010 (Suara Pembaruan, December 15, 2011). As a result, the growth of MSMEs was vulnerable to macro-economic advancement.

Judging from the number of problems and the low success rates faced by MSMEs, it can be concluded that MSMEs have not been able to make a meaningful contribution to the GDP. Errors in MSMEs development strategy in the past demanded the excellence identity of MSMEs to be improved continuously in order to achieve profit. It should be questioned about how much the capability and the advantages of MSMEs in developing economic activities in order to increase profits. Based on the condition of MSMEs, it requires development, innovation and renewal of the MSMEs system, from individual MSMEs to collective MSMEs.

The development towards collective MSMEs requires the empowerment of MSME Cooperatives. Cooperatives and MSMEs have a strategic role in the national economy and public welfare through poverty alleviation. MSMEs are an integral part of the national business that has position, potential, important role and strategy in achieving national development, particularly in economic development. The role of MSMEs, especially in the creation of vast employment opportunities, is providing economic services to the community, helping the process of equalization and improvement of lower class income, and helping the acceleration of equitable development.

The existence of cooperative has a very strong position because Article 33 of the 1945 Constitution states that cooperative is very suitable business and is expected to be able to accelerate the realization of economic democracy. The development and empowerment of cooperatives are a constitutional obligation, as a means to accelerate the realization of economic democracy in order to achieve national development. Therefore, all economic activities are carried out using the principle of joint venture based on the principle of kinship. MSME cooperative, the manifestation of the concept of collective entrepreneurship, is a form of innovation or new development from the old-style of MSMEs that tend to use individual concept in carrying out the process of entrepreneurship.

In other words, entrepreneurship and cooperatives need to be empowered in order to be able to play a role in promoting economic growth and accelerate equitable distribution of the development results and achieve more balanced economic structure in accordance with the will of economic democracy. This fundamental research is expected to be able to provide assessments and the analysis on the right model of collective entrepreneurship as a new innovation in the entrepreneurship development concept to empower and develop MSME cooperatives.

The empowerment of the community to become new entrepreneurs can be done through common strategies and specific strategies. Common strategies are carried out by enhancing the entrepreneurial abilities, cultivating entrepreneurship, and empowering human resources in order to have
the willingness and spirit of entrepreneurship. Specific strategies are carried out through education, business lines, and builder group. The growing of new entrepreneurship should be more selective and prioritize more on quality than quantity.

To achieve a new and more qualified entrepreneurial concept requires an effort to switch to a collective entrepreneurship that can be done by improving and empowering the existing entrepreneurship (individual entrepreneurship). Thus the entrepreneurs will have more business places which bring positive effect on the empowerment of their entrepreneurship. To anticipate the development and the advancement in technology and the global markets and economy, the old-style entrepreneurship that emphasizes on the concepts of individual entrepreneurs begin to shift to the collective concept, or called collective entrepreneurship. The collective entrepreneurship will contribute to the growth of the business / MSMEs. Collective entrepreneurship is a combination of nature and behavior of the human, such as talent, energy, commitment and then innovates as a team (Yan and Sorenson 2003). In collective entrepreneurship, the potential, skills and individual credibility are reliable and can be integrated in a group which is interdependent and in complementary distribution in achieving a vision and work. Through the group (with the application of the collective entrepreneurship concept), will further motivate employees through togetherness and create balanced value by relying on the role of collective entrepreneurship management (Mourdoukoutas 1999; Zito 2001).

In developing countries, the majority of entrepreneurial business concepts are using the concept of collective entrepreneurship, as reported by the GEM Russia (2007), APS data at 45.8% of the business Nascent and at 43.4% in 2006 are classified as a collective entrepreneurship, involving the three partners incorporated as a joint venture. The implementation of collective entrepreneurship concepts has more positive value than that of the individual entrepreneurship.

Collective entrepreneurs do their business based on the level of opportunity owned and start the business not because of the necessity but emphasis more on the realization of imaging and increase the opportunity. The revenue structure between individual entrepreneurs and collective entrepreneurs is significantly different. Collective entrepreneurs earn most of their revenue from business venture with a total of twice as much as the income of individual entrepreneurs which is derived only from the income of individual business, so that collective entrepreneurs have more experience and longer business sustainability (Burres and Cook 2009). Similarly, when it is seen from its capital structure, in which the capital of collective entrepreneurs is much greater. Moreover, for the entrepreneurs who use their business processes on the concept of collective entrepreneurship will have the opportunity to recognize other entrepreneurs more often and have more extensive business relationships than individual entrepreneurship.

Therefore, it can not be denied that the urgency of this research is on the understanding of the concept of collective entrepreneurship which is very important, especially in developing innovation and freshness of the theoretical framework of the entrepreneurship concept that mostly always has connotation on the concept of individual entrepreneurship. Through the study on the model of collective entrepreneurship that involves three interrelated pillars of the mechanism such as the structure of institutions or organizations, entrepreneurial skills, and the dynamics of the formation of cooperatives, it is expected to be able to produce useful model for the development and sustainability of MSME entrepreneurs, and provide benefits for the empowerment of MSME cooperatives.

An attempt to overcome the limitations of the government's ability to alleviate poverty and create jobs is by empowering the people to become entrepreneurs through the development of Micro, Small, and Medium Enterprises (MSMEs). In Indonesia, there are 44,693,759 MSMEs or 99.84 percent of the overall business units (BPS 2005) and provide job for 82.2 million people, or 88.64 percent of the total workforce in Indonesia. Ironically, the contribution of MSMEs to the GDP is only 5.6 percent, and the rest is derived from the role of large businesses. This illustrates that the national economy is still dominated by large businesses. With regard to the low contribution of MSMEs to the gross domestic product (GDP), the government should give greater attention and more conducive environment to MSMEs in order to be able to catch up and achieve equitable distribution of the development outcomes.

The rapid development of MSMEs, as part of the largest business units of the Indonesian people, is not balanced with the development and growth of the current cooperatives. In 2008, the number of MSMEs reached 51.3 million units, or 99.9 percent of the total number of business units in Indonesia. Meanwhile, the number of workforce involved rose to 90.9 million people, or 97.0 percent of the total workforce in Indonesia (Kompas 2012). While
in the same year, the number of cooperatives was just as many as 155 thousand units, with the number of members reached about 26.8 million people (Tambunan 2009). This indicates that there was no impartial comparison between the number of cooperatives and the rapid progress of MSMEs in Indonesia.

The particular problem faced in the empowerment of cooperatives, particularly MSMEs cooperatives, is widespread lack of understanding of the cooperative as a business entity that has unique institutional structures and incentives compared to other business entities. In addition, many people are still lack of understanding on the good principles and practices in cooperatives. Equally important is the lack of entrepreneurial spirit of the managers. Cooperatives and MSMEs also face challenges which are mainly caused by the rapid development of economic globalization and trade liberalization in conjunction with the rapid rate of technological progress.

The Indonesian government’s inability to succeed the economic development in rural level will result in the lack of economic development of the people. This is also caused by the less optimal development of the cooperative body as the support of the national economy. Cooperatives are still positioned in the sub-zone system (part of the system) of private and state-owned enterprises, with an unequal position. Since cooperatives are in the position of sub-systems, the cooperatives in Indonesia are less optimal in building adequate coop-network; consequently there are many economic advantages which are absorbed by private and state-owned enterprises. As implied in the speech of President Susilo Bambang Yudhoyono in the ritual celebration of the 58th Cooperative Day in Bandung, “The revitalization of cooperative as the solution to overcome unemployment and poverty is not without reason”. In his speech the President explained:

"Qualified cooperatives are required to give confidence to the society that cooperatives deserve to become an important part of the government efforts to create more jobs. It also requires continuous effort to stimulate the growth of cooperatives to become more qualified in terms of business and organization by utilizing the comparative advantages owned". (Kompas, October 25, 2008).

Therefore, the cooperative business units need to be built and run in an effective and efficient economic culture. Efficiency can be monitored by looking at the services that can be achieved by the members and the provision of services with better quality than the existing competitors as well as the services that correspond to the real needs of cooperative members.

The complexity of industrialization, technological advances and the global market increases competition in business. In order to be able to compete effectively, MSMEs entrepreneurs are required to improve their entrepreneurial skills and begin to change the concept of entrepreneurship that has been executed so far. MSMEs need to make innovation and development of the understanding of the importance of the collective concept compared to the individual one. MSMEs apply the collective concept into the entrepreneurial process through an understanding of the importance of collective entrepreneurship, in which the overall efforts that are done collectively will produce greater value than the sum of individual contributions (synergism) (Stevenson and Jarrilo 1990; Widyahartono 2008). Therefore, through collective entrepreneurship model approach, as an innovation of the individual entrepreneurship concept, this can be an opportunity to provide development, sustainability and the empowerment of the establishment of MSMEs and MSMEs cooperatives.

Innovation and the development of MSMEs without coupled with cooperative development process would be felt inadequate because the cooperative has a significant role in the process of MSMEs sustainability. Cooperative, as a container (organization) of the merging of individual economic activity, has a function and a critical role in increasing business scale, efficiency, and a bargaining position of the members to the market. The concept of the economies of scale should be used as an initial basis for establishing or starting an entrepreneurial activity program.

Activities undertaken by helping each other, such as mutual cooperation, solidarity, and economic calculation, between the individual and the business will be more successful in addressing social and economic problems. Furthermore, in the face of a market economy, where the market competition is very tight, will make MSMEs more powerless. In this economic powerless condition, economic forces, such as large enterprises, will dominate MSMEs both in marketing products and in the provision of the means of production. This leads small and middle businesses join in one container (organization) which is referred to as cooperatives, by helping each other and work together not only to deal with oligopolies and monopolies, but also to improve the ability to produce and market their
products. Therefore, the cooperative is a great place to build and develop the potential and capability of MSMEs entrepreneurs.

Given the important role of cooperatives for the development and sustainability of MSMEs, it is necessary for fostering cooperative which is aimed at creating a more conducive business environment and providing widespread opportunities to the societies in the field of cooperative. Therefore, the government has made some efforts to strengthen the legal status of cooperatives. From 2005 to 2009 an announcement was made in connection with the legal entities for as many as 27,366 cooperatives, as well as the ratification of 873 primary cooperatives and 165 secondary cooperatives. Besides, to strengthen and sustain the cooperatives in synergy between cooperatives and MSMEs, some rules and laws for MSMEs have been modified and refined by the government to empower the MSMEs.

In addition to general purposes, there are some specific goals that need to be considered in order to develop entrepreneurship and empower cooperatives that become a mediator for the success of MSMEs in Indonesia. The success of the determination of the concept and the exact model of the collective entrepreneurship will be benefit for the growth and sustainability of MSMEs and MSMEs Cooperatives which are summarized in the following objectives: (1) exploring the typology of the existing entrepreneurial characteristics; (2) developing the concept and approach to collective entrepreneurship as an innovation and implementation of entrepreneurial theory in Indonesia; and (3) giving the value of benefits for the empowerment and sustainability of MSMEs Cooperative.

For this research to be conducted in the area of Malang City, the specific objectives of this research are focused on the condition of MSMEs and MSMEs cooperatives in Malang City. The following are the specific objectives to be achieved: (1) assessing the entrepreneurship model that has been used by MSMEs in Malang Raya; (2) developing collective entrepreneurship model in accordance with the conditions or typology of MSMEs in Malang City; (3) classifying the significant dimensions of MSMEs cooperative as a manifestation of collective entrepreneurship that should be developed; and (4) developing the concept and approach to collective entrepreneurship as an innovation and the implementation of the entrepreneurial theory in Indonesia.

Seeing the benefits and importance of cooperatives and MSMEs for the economic development of society, the government has conducted a review of the laws and regulations on national and regional levels that inhibit the empowerment of MSMEs Cooperative. In 2005, the government reviewed 40 local regulations that impeded and had to be canceled, in that year 13 laws were canceled. In 2006, the government reviewed 50 local regulations and canceled 36 local regulations. Meanwhile, in 2007 the government reviewed 50 regulations and canceled 11 regulations. In 2008 government evaluated 100 local regulations relating to MSMEs Cooperative, and 40 regulations were proposed to be canceled because they could inhibit the development of MSMEs cooperatives (Kompas, October 25, 2008). The quality of cooperative is expected to improve in order to be able to grow and develop into a place of common interest for its members. Given the importance of MSMEs and cooperatives for the benefit of national economic development, this study is becoming the proper media to support the government programs in developing entrepreneurship and cooperatives in Indonesia.

2. THEORETICAL FRAMEWORK

Fuduric (2008) suggested that entrepreneurs have a role in the economic growth of a country that is manifested in improving national and regional product, ensuring the ability to maintain market competition, preventing poverty and increasing welfare. To provide benefits for the development of innovative entrepreneurship based on social and economic factors, then the question arises "how can individual and institutional resources be the factors in establishing entrepreneurship as expected?" So in this case, the behavior of individual, as a business actor, is important to note for the sake of sustainability, quality and entrepreneurial development. In addition, institutional factors are the factors that also play an important role in supporting the establishment and development of entrepreneurship today and in the future.

Further, it is stated that there are two components that contribute to the sustainability of entrepreneurship, namely static component and structural component. Both of these components are the characteristic of the entrepreneurial process. Static component refers to the question: "Who is called entrepreneur?" In general, business actors can make innovation in their business through learning and experience, but still there are characteristics of individual behavior and the ability as an important starting point that must be considered in making business decisions. While the structural component of entrepreneurship can be seen as a place where the businesses or business steps are conducted.
Psychological factors or individual behavior (Static) and institutional structures (Structural) are factors that can affect the success of the entrepreneurial process undertaken by business actors.

### Psychological Factor
Psychology describes the nature or personal behavior, especially to the business actors. This is very important when seeking to understand the characteristics of business actors who are generally influenced by various cultures. Fuduric (2008) stated that these psychological factors specifically prove that the entrepreneurs, actually, have different perception and thinking with other business actors, as well as with their employees. Psychological factors or individual behaviors according to some sources are shown in Table 1.

### Factors of Individual’s Ability
The ability of an individual is a factor that is generally achieved through learning and experience. Table 2 shows some factors of individual’s ability for an entrepreneur in the field of entrepreneurship research.

### Factors of Institutional Structure
In the previous section, the factor of psychology and capability, in theory describes how the characteristic of individual as a businesses actor in running or starting a business. So that it accommodates intangible factors as resources in the entrepreneurial process and at the same time as the unit of analysis for the researcher in the field of entrepreneurship. In this section, the factor of institutional structure describes the dimensions of institutional changes that help to understand how the institutional environment provides opportunities as well as barriers in entrepreneurship. North (1990) stated that institutions can create “rules of the game” at all levels of society by creating opportunities for the community.

There are three dimensions of institutional structures that affect entrepreneurship (Fuduric 2008), namely: (1) the economic structure that can support the existence of entrepreneurial activity in

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**Table 1**

**Psychological Factors of Business Actors**

<table>
<thead>
<tr>
<th>No.</th>
<th>Psychological Aspect of Business Actors</th>
<th>Research Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Intellect</td>
<td>Positive and significant intellect will affect the increase of self-motivation (Shane 2003)</td>
</tr>
<tr>
<td>2.</td>
<td>Motivation (optimism)</td>
<td>Busentiz and Barney (2007) stated that an entrepreneur tends to have optimistic behavior and he believes that the consideration he made will occur and in accordance with the existing actual data.</td>
</tr>
<tr>
<td>3.</td>
<td>Risk Management</td>
<td>Business owner has a higher level of tolerance towards the risk than the managers. In other words, that the manager, with his ability, is able to take risky decisions and this is supported by business owner who is very flexible (high tolerance) towards the decision (Stewart and Roth 2001; Sarasvathy et al. 1998).</td>
</tr>
<tr>
<td>4.</td>
<td>Creativity</td>
<td>An entrepreneur has a tendency to have high creativity, because he is required to construct a new framework that can create high value for the existing resources (Sarasvathy 2001).</td>
</tr>
<tr>
<td>5.</td>
<td>Independent</td>
<td>The business actor in general is an independent person and tends to look for the right time and place, and is free to decide when to start the business (Burke et al. 2000; Reynolds and White 1997).</td>
</tr>
<tr>
<td>6.</td>
<td>Absorptive Capacity</td>
<td>Yu (2001) concluded that in the beginning, knowledge provides an absorption capability as well as a facility for absorbing additional information. Cohen and Levinthal (1990), also Yu (2001) explained that the two forms of knowledge required for the entrepreneurship are the knowledge about market and the knowledge on how to serve the market</td>
</tr>
<tr>
<td>7.</td>
<td>Perceptiveness</td>
<td>The business owner in general already has more knowledge of the information than the other who are not the business owner and uses the information for the benefit of his business (Mitchell 2000; Bhide 2000)</td>
</tr>
<tr>
<td>8.</td>
<td>Intuitiveness</td>
<td>An entrepreneur tends to use intuition more comfortably in running or making business decision (Allinson 2000).</td>
</tr>
<tr>
<td>9.</td>
<td>Generalization of Information</td>
<td>The business actor even tends to collect the required information by himself and runs the business based on the information that is not possessed or collected by other people (Shrader 1998).</td>
</tr>
<tr>
<td>10.</td>
<td>Self-Efficacy</td>
<td>It is a high confidence owned by an entrepreneur on his ability to perform the task / business pursued (Zietsma 1999).</td>
</tr>
</tbody>
</table>

and city). The samples in this study are entrepreneurs and MSMEs in the area of Malang (regency and city). The population in this study is all entrepreneurs in Malang City that cannot be expressed by a quantitative method. So, based on this reason, the researcher is using the method of concurrent triangulation. The approach in the acquisition of data is using triangulation method.

3. RESEARCH METHOD
The research method used in this study is a mixed method, quantitative and qualitative. Quantitative method is used to investigate the typology of MSMEs in the region of Malang City, and qualitative method is used to understand the fundamentals of its existence better, both internally and externally, especially about the sustainability of MSMEs in Malang City that cannot be expressed by a quantitative method. So, based on this reason, the researcher is using the method of concurrent triangulation.

Population and Sample
The population in this study is all entrepreneurs in formal MSMEs registered in the office of Cooperatives and MSMEs in the area of Malang (regency and city). The samples in this study are the entrepreneurs of MSMEs in Malang City with a total of 150 MSMEs in 2012 and 10 Cooperative Units, consisting of 5 cooperative units engaged in saving and loan activities and 5 cooperative units engaged in buying and selling of consumer goods. Total respondents, including MSMEs and Cooperative Unit, are 155 respondents. The sampling used is purposive sampling with the aim to obtain unbiased data and can represent the population. Population and sample data are obtained from the Department of Cooperatives and Small and Medium Enterprises and the Department of Industry - Malang. The approach in the acquisition of data is using triangulation method.

Table 3 describes the primary data that has been collected. The largest number of respondents ranged in the age of 41-50 i.e. 47 respondents (34%) and followed by the age of 31-40; 21-30 and over the age of 50, which means at the age of 50 (19%), the entrepreneurs in general are no longer doing their business. This is because the course of business might have been passed down to the successors or transferred to another party.

Based on 155 questionnaires which are spread to all respondents (MSMEs and cooperatives), 139 or 90% are returned, meaning that the response rate can be said “good”. Based on the selection to see the feasibility, further analysis is conducted. From the analysis, it obtained 72 questionnaires (51.80%) that are feasible for further testing and analysis. The level of instrument feasibility for the testing is acquired in such a way. This is because the researcher does the conditioning and control of the implementation of
the fulfillment without intervention in fulfilling the question items, so as to achieve significant returns for the analysis. Further selection of questionnaires is especially done based on sampling requirements that have been established previously.

**Triangulation Method**

Triangulation method, frequently referred to as a multi-method or mixed-method (Barbour 1998; Greene & Caracelli 1997; Polit & Hungler 1995), is one of the strategies frequently used in mixed-methods research, where the use of both approaches, qualitative and quantitative, can be done concurrently or sequentially (Cresswell 2010). Triangulation method, as described in many textbooks, is described as a method of data collection or as a research design (Lincoln & Guba 1985). Triangulation method can be used as a reference which indicates that the qualitative and quantitative approach is an interrelated paradigm (Barbour 1998; Greene & Caracelli 1997). In addition, triangulation method is a means to build qualitative data to become more valid and reliable, and useful to increase the credibility and validity of the data results obtained from the qualitative research.

Cohen and Manion (1986) explained that triangulation is an attempt to map out, or explain more fully, the richness and complexity of the human behavior by studying more than one point of view. Meanwhile, according to O'Donoghue and Punch (2003), triangulation is a method of cross-checking data from various sources to search for regularities in the research data. Triangulation has four basic types in identifying the data based on time, space and person. This method is appropriate to determine the model and answer the phenomenon of the transformation from individual entrepreneurship to collective entrepreneurship, because triangulation theory involves the use of more than one theoretical scheme in interpreting the phenomenon.

Methodological triangulation also assists with the data collection that typically uses more than one method of collection, i.e. using interviews, observation, questionnaires and documentation.

Concurrent triangulation method is a strategy of qualitative and quantitative data collection which is performed simultaneously in a research stage. In this stage, it is expected to occurring mixed strategy, that is to merge two data into one, and at the time the process of interpretation and discussion or analysis is conducted. In other words, concurrent triangulation method is concurrent integration and the most appropriate method to assess the model of collective entrepreneurship, i.e. merging two results of research analysis (qualitative and quantitative) into one by transforming, integrating, or comparing the results side by side in a discussion, thus it is expected to be able to provide valid and credible results of quantitative analysis through qualitative analysis and vice versa.

**Data Analysis Tools**

The process of collecting data from the two approaches is done at the same time through a process of interviews, observation, documentation and questionnaires by using purposive sampling of one hundred and fifty MSME entrepreneurs in Malang region and ten cooperative units. Then proceed with the process of mixing data by merging the two research data into one, such as transforming one data type into another data type, or by integrating both of the data so as to be easy to compare and analyze. Therefore, the data analysis will be carried out by two procedures: the analysis of data from qualitative and quantitative approach.

**Quantitative Data Analysis**

Codification or coding of the qualitative data is the first step in the quantitative analysis. The purpose of codification by providing a numerical scale to the
answers of indicators obtained is to test the validity and feasibility of the instrument or questionnaires. In addition, it is important prior to testing for the existence of relationships between construct variable and the indicator of its construct variable. The implementation of Structural Equation Modeling (SEM) method is a quantitative approach, as part of a concurrent triangulation method, which is valuable in achieving the purpose of measuring the relationship between construct variable and the indicator of its construct. In other words, after conducting validity and reliability test of the instrument to get a feasible instrument (valid and reliable). The test of the data based on the path diagram includes: (1) performing confirmatory analysis of the existence of a link among the existing psychological aspects, individual's ability aspect, institutional structure aspect, and characteristics of entrepreneurship aspect; (2) explaining the relationship between the existing entrepreneurship and the needs of the community for a collective entrepreneurship as an innovative entrepreneurship; and (3) giving the value of benefits for the empowerment and sustainability of MSME Cooperatives.

According to Davidsson (2004) and Dennis (1999), an argument regarding the use of SEM in this approach is that because there are still many researchers in this field who require the measurement of the “entrepreneurial activity” and the inexistence of a consensus among the researchers about the methods used in adequate modeling. Furthermore, Shane and Venkataraman (2000) stated the reason why there are few studies that prove or produce a model which is fit to the entrepreneurship. This is because there is a lot of literature that discusses and applies entrepreneurial type based on the difference definitions of various entrepreneurial phenomena. Therefore, it is important for this study to be limited only to the specific objectives of the study.

The data analysis tool used is Partial Least Square (PLS). One of the reasons and purposes for choosing this tool is that in determining the distribution of a phenomenon in the selected population does not require the number of samples analyzed and the tool is based on covariance. In other words that PLS provides an adequate solution when the researchers try to estimate a complex model with small sample (Vinzi et al. 2010). This strategy is chosen with the aim to establish a valid and reliable instrument. This is because in this study there is no valid and reliable instrument. So there are five sequence phases that should be carried out: (phase 1) collecting qualitative data, such as field interview and group discussion on the phenomena of the entrepreneurs of MSMEs; (phase 2) codifying the results of the quantitative data; (phase 3) using the analysis tools to create fit instrument (valid and reliable); applying the instrument to the sample of the population, (stage 5) analyzing the results of the instrument responses that have been collected to obtain evidence of an association among the construct variables.

Qualitative Data Analysis
The data, obtained from the qualitative approach through face to face interviews with open-ended questions and the involvement of participants of observation as well as qualitative observations on MSMEs and cooperatives in Malang Raya to dig accurate information about the model and the concept of entrepreneurship and cooperative governance used by MSME entrepreneurs and cooperatives, are also supported by the secondary data obtained from the documentation process. Theoretically, the descriptive qualitative data is further analyzed by conducting the process of data interpretation.

The process of qualitative data analysis in this study is using concurrent triangulation strategy, so the qualitative data analysis can be done starting from the process of open data collection, with general questions, the interpretation of the researcher, the informants and the participants, and the reporting of results simultaneously. Based on the understanding of the qualitative approach concept, the analysis of qualitative data must be in accordance with the principles and rules of qualitative data analysis, a process of the implementation from the specific step to the general one.

According to Creswell (2010), the steps to perform qualitative data analysis are described through several stages; (1) to process and prepare the data for analysis; (2) to read through the data, the process of building a general sense of the information obtained and reflected on its meaning as a whole; (3) to analyze more in detail by coding the data; (4) to apply the coding process to describe the setting, person, categories, and themes that will be in the analysis; (5) to describe the themes that will be presented again in the narrative / qualitative reports; (6) to interpret the data.

4. DATA ANALYSIS AND DISCUSSION
Model Structure Test of the Factors Affecting Formation, Performance, and Sustainability of MSMEs in Malang City
Correlation test is used to estimate the relationship among latent variables. The strong correlation is
demonstrated with a coefficient which is close to 100% (Ghozali 2006). Figure 1 is the test results based on outer model for reflective models.

The results of the model test (Figure 1) show that, in general, the indicator provides loading factor value of above 0.50. This means that, in overall, there is a fairly strong correlation between the score of items or score of indicators and the score of constructs. Jogiyanto and Abdillah (2009) stated that if there is a loading more than (> 0.50), it is practically considered that the relationship that occurs is practically significant, between the score of component and the score of construct. In brief, the the results of the test can also be seen in Table 4.

Table 4 shows that there is loading score of -0.410214 between the factor of MSMEs sustainability in Malang City and the determinant factors on the performance of MSMEs. A negative score indicates that there is a negative relationship between the MSMEs sustainability factors in Malang and the determinant factors on the performance of MSMEs. Likewise 0.034397 and 0.007576 shows that there is a positive relationship between the internal formation of MSMEs in a row on the determinant factor of performance and the sustainability of MSMEs in Malang.

Convergent Validity

**Discriminant validity** or called convergent validity shows the construct correlation with its reflection indicators or the indicators that reflect other constructs. The high value of cross loadings between indicator and construct shows the real reflective relationship. Table 5 shows the description of the cross loadings formed.

Hair et al. (2008) provided the requirements in determining the minimum level of loading factor (lf) is ± .30 and if lf > .50 then it is considered practically significant. Table 5 shows that there is loading factor above and below 50%, this means that there is a strong or weak correlation between the score of item
or the score of component and the score of construct. So, if the loading factor is above 0.5 (50%), the variation of the construct formed significantly reflects the variation of the constituent indicators.

**Structural Model Test (Inner Model)**

The structural model for construct can be estimated using the R-square ($R^2$). $R^2$ value is used to measure the degree of changes variation of the independent variable on the dependent variable and to determine the determinant. So the higher the value of $R^2$, the better the prediction model of the study model. The evaluation of the structural model is based on the decision that the higher the value of $R^2$, the better the model of prediction (research) constructed (Jogiyyanto & Abdillah 2009). The test results for the structural model can be described in Table 6.

<table>
<thead>
<tr>
<th>Determinant factor on the performance</th>
<th>Sustainability of MSMEs</th>
<th>Internal formation</th>
<th>External formation</th>
<th>Size of the MSME Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>0.150491</td>
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<td>X11</td>
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<td>X12</td>
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<td>-0.056058</td>
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</tr>
<tr>
<td>X13</td>
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<td>0.247463</td>
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<td>0.060763</td>
</tr>
<tr>
<td>X14</td>
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<tr>
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<tr>
<td>X18</td>
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<tr>
<td>X19</td>
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<td>0.181533</td>
<td>0.019811</td>
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</tr>
<tr>
<td>X2</td>
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<td>0.040321</td>
<td>0.826815</td>
<td>0.447797</td>
</tr>
<tr>
<td>X20</td>
<td>-0.206728</td>
<td>0.564403</td>
<td>-0.014072</td>
<td>0.324107</td>
</tr>
<tr>
<td>X21</td>
<td>-0.149799</td>
<td>0.469285</td>
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<tr>
<td>X22</td>
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<td>0.158699</td>
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<tr>
<td>X23</td>
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<td>0.020754</td>
</tr>
<tr>
<td>X24</td>
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<td>0.025405</td>
</tr>
<tr>
<td>X25</td>
<td>0.147632</td>
<td>-0.153351</td>
<td>0.082389</td>
<td>-0.094176</td>
</tr>
<tr>
<td>X3</td>
<td>0.114717</td>
<td>0.060949</td>
<td>0.583853</td>
<td>0.116655</td>
</tr>
<tr>
<td>X4</td>
<td>0.074126</td>
<td>-0.207909</td>
<td>-0.162797</td>
<td>-0.042461</td>
</tr>
<tr>
<td>X5</td>
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<td>-0.031677</td>
<td>-0.013288</td>
<td>0.084248</td>
</tr>
<tr>
<td>X6</td>
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<td>-0.012563</td>
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<td>0.536559</td>
</tr>
<tr>
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<td>0.285087</td>
<td>0.166315</td>
<td>0.530457</td>
</tr>
<tr>
<td>X8</td>
<td>0.241570</td>
<td>-0.189160</td>
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</tr>
<tr>
<td>X9</td>
<td>-0.083407</td>
<td>0.045868</td>
<td>-0.187543</td>
<td>-0.245329</td>
</tr>
</tbody>
</table>

Aspects of Individuals (career experience, business experience, income, formal education, age).

**Analysis Interpretation**

The purpose of the study of collective entrepreneurship model is to provide a concept of entrepreneurship that is sustainable and self-sufficient, meaning that entrepreneurial performance can not be influenced by other business entities. So the collective entrepreneurship model will provide outcomes of research that becomes important contribution or benefit. In addition to supporting the process of development and empowerment, it also strengthens the sustainability of MSMEs as one of the pillars of the country's economy. So to build a model of entrepreneurship that is relevant to the needs of the people in Indonesia, the plans for the next research are:

1. The establishment of reference and the standard of success for the management of MSME cooperative based on the dimensions and indicators of collective entrepreneurship.
2. The establishment of MSME cooperative system based on the working concept of collective entrepreneurship which is relevant to the selected population.

The next stage of research is focused on the analysis of the use of qualitative methods to explain...
the two problems mentioned above. How the standard of successful management of MSMEs cooperatives and the system of MSME cooperatives with the indicators and dimensions derived from collective entrepreneurship. The data collected is from the result of interviews with the managers of MSMEs in Malang Raya, the Leaders of MSMEs of Malang Regency, and the Leader who is concurrently as the Head of MSME cooperatives of Malang City. From the results of these interviews can be drawn three important things related to and support the pattern of successful management of collective entrepreneurship and the formation of MSMEs cooperative system which is sufficient for the development of collective entrepreneurship. These three things include the ability of human resources or HR for MSMEs; government regulations on MSMEs; and capital of MSMEs.

### The standard size for the success of the management of MSME cooperative based on the dimensions and indicators of collective entrepreneurship

Currently, MSME cooperatives that embody MSME entrepreneurs in Malang Raya have not been formed. There are still many things that become obstacles and barriers to form collective MSMEs, the MSME entrepreneurs still think individually. They just think how to increase profits and develop their business individually not as a group or collective, as described by one of the managers of MSMEs:

"The motivation of small business establishment was originally aimed only at generating income and improving their standard of living, in which looking for jobs is very difficult, so it's good to open this little business. And if these small businesses are combined or administered in one container of cooperatives, we disagree. This business is from us and for us".

There is also one who added that their business is the business which is derived from the family or parents, or heritage business. The business which was originally established on a small scale should be developed into a medium scale up to a large-scale business. One of the managers of MSMEs from the district of Malang added:

"Many of the MSME business managers come from heritage business from the parents, we just move on, I currently manage a business that was once very small and now it is okay...it has increased to medium, and desired to be great business. If this business is suddenly moved into a collective, it seems that our hard and long struggle becomes so vain, because this business is not easy, there are many challenges and risky. Perhaps the newly established MSMEs could use such a collective manner ".

In the opinion and experience obtained from the Head of MSME Malang Regency has underlined that MSMEs cannot be developed collectively for now. There are many terms and constraints faced by MSMEs, especially the level of awareness and togetherness among the managers. Despite the barriers and obstacles such as capitalization, quality of products, competitors, and HR, in fact the MSME owners would rather face the problems individually. The level of togetherness, cooperation and a desire to achieve the progress together are still weak, and they even think that the other businesses are their competitors so that they compete to each other. It can be concluded here that the development of collective entrepreneurship still can not be applied for now. The newly developing and ongoing business is individual entrepreneurship, referred to as MSMEs. Type of MSME business is still relatively new in Indonesia, and more importantly is that the government rules on MSMEs was published and just implemented in 2008, Act No. 20 of 2008 that regulates the MSMEs. Therefore, to see and understand the shape of entrepreneurship, in addition to the recent existence, the communities are not able and interested.

To determine the dimensions and indicators of

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<th>Size of the MSME Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determinant factor on the performance</td>
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<td>0.865620</td>
<td>-</td>
<td>0.722874</td>
</tr>
<tr>
<td>Sustainability of MSMEs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.601477</td>
</tr>
<tr>
<td>Internal Formation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.292784</td>
</tr>
<tr>
<td>External Formation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.199556</td>
</tr>
<tr>
<td>Size of the MSME Performance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
collective entrepreneurship is started from anticipating conditions that exist today, that is by reducing the individual stereotypes, and providing other offers that are more directed to the collective, cooperation and togetherness. Through the difficulties encountered in managing MSMEs, such as looking for and improving capitalization, developing human resources, and improving the quality of the product as well as the risks of competition that have long been regarded as an obstacle for the development of MSMEs. So the collective offer in facing all these problems will be able to create and improve SMEs to survive, competitive and empowered. If the constraints and obstacles in developing individual SMEs is very difficult to face, it is time to change the concept from individual to collective in managing and developing the MSME business. Through cooperative institutions, the collective entrepreneurship concept is expected to be able to be developed and implemented among the SME entrepreneurs incorporated in it. MSME Cooperatives are expected to be able to give a solution and a way out of the constraints, obstacles and barriers faced by SMEs managers who are currently still using the concept of individual entrepreneurship.

MSME cooperative system based on the working concept collective entrepreneurship

Cooperative system which is set up to support the management of collective entrepreneurship should be in line with the dimensions and indicators used in changing the concept of individual entrepreneurship. As described in the quantitative approach, with the model that has been developed along with the explanation in point number 1 above that there are five important things that cannot be ignored in making a MSME cooperative system. The first is the importance of the ability of HR who manages the MSMEs; The second is the ease to get capitalization; The third is to improve the quality of products that can compete with the products of other businesses; The fourth is to cope and manage business risk of MSMEs; and the fifth is a concern of the government and large corporations to improve SMEs in order to be more maximum.

The ability of the human resources of SMEs managers, especially in micro and small scale, is still becoming a major obstacle in addition to the capitalization. The motivation of establishment of micro and small scale enterprises tends to meet the life necessity or earn income. The ability of managers is still very simple, as well as the guarantor of capital is very hard to come by. Equally important is the ability or quality of products to compete in the free market is still very far from perfect and satisfying consumers. In addition, the level of risk for business in micro and small scale is very high compared to the risk level of medium-sized businesses, in this case, the risk reduction faced by business unit managers of micro and small-scale is more susceptible and has an impact to lower the spirit in maintaining their business. The concern of the governments and large corporations to the empowerment of MSMEs is still low. The government is still less serious and intense in overcoming the constraints faced by MSMEs. With the weakening of the empowerment of MSMEs, especially in micro and small scale, then the cooperative container is the most appropriate institution to help individual entrepreneurship or MSMEs develop into collective entrepreneurship or collective MSMEs. Cooperation and togetherness in the face of obstacles, barriers and challenges in managing MSMEs will be resolved if it is done collectively or group compared to individual or independent, more over for the newly established MSME or MSME in micro and small scale; they will still depend or need larger MSME in medium-scale or large scale as a mentor and companion to develop and empower the smaller MSMEs.

Merging several individuals of MSMEs to an array of larger business units will facilitate to develop and empower the MSMEs themselves. Togetherness and cooperation in caring and managing collective MSMEs, especially in searching for capitalization, increasing revenue, improving product quality, increasing HR, overcoming business risks and seeking the support of the government and large corporations will be much easier, especially in gaining the confidence of the parties concerned. Therefore, cooperatives as appropriate containers for joining MSMEs from various types of products sold and services offered, as well as businesses of all sizes are expected to be an institution that is able to develop collective MSMEs. The strategies developed should support the collective concept through cooperation and togetherness, can be a coaching and mentoring, especially for micro and small scale business unit; create programs and governance of collective MSMEs; become central for the empowerment of MSMEs; facilitate the capitalization process and improve the quality of human resources and quality of products from the MSMEs guided by the cooperative.

In reality, in Malang, the cooperatives as described above have not been established, the existing cooperatives have functions as the deposit items to sell the products of MSMEs, the meeting venue for MSMEs managers regularly to exchange experiences in management, as a transaction place for borrowing funds with a relatively small amount, and as the
place of product sales information and other information related to product quality. Future prospects for MSMEs Cooperative with strategies based on indicators and dimensions of the success of the concept of collective entrepreneurship is expected to be able to answer the problems and challenges faced by the managers of MSMEs which are still dominated by individual property.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

The role of MSME sector in the improvement of local economy and the pillars of the economy of the state, especially in the sector of tax is very big if the government can effectively give serious attention to the development, control, and the study of relevant and appropriate models with the purpose of sustainability and strengthening of MSMEs and cooperatives. Various aspects of both internal (psychological and individual capabilities) and external (institutional) can affect the existence as well as the empowerment of MSMEs and cooperatives.

The results of the analysis, in general, significantly show that the existence and the empowerment of MSMEs and Cooperatives are triggered by the aspects of psychology and the ability of the individual that become the internal aspects (Table 6). These results are implied by the entrepreneurs of MSMEs and cooperatives in the form of motivation which arises only to meet the demands of life and the environment around them without seeing their role of their business as the backbone of the economy of the State.

Besides, institutional structure factor (external aspect) has a positive association with the performance of MSMEs and cooperatives. It means that the access to the capital and the motivation to the behavior of the tax payment are inseparable from the performance / capability of MSMEs and cooperatives to thrive. As indicated by loading score of 41.12% (Table 4), that the more active role of government and regulatory and political conditions that support the empowerment of MSMEs and cooperatives will further improve the performance of MSMEs and cooperatives. Institutional structure (the external aspect) can be implied by the assumption of creditors and large companies as well as the people themselves that the sectors of MSME and cooperatives are informal sectors that have high risk, so there is no need to facilitate the sectors of MSMEs and cooperatives to be more advanced.

The effect of the external aspect is the impact of the multiplier effect of the MSMEs and cooperatives actors themselves who deal or pursue the entrepreneurship not seriously and with various constraints (capital and expertise). So until these days, the weaknesses of MSMEs and Cooperatives are in terms of the development and strengthening because of limited access to both capital and cooperation with other parties (business actors). Another implication can be proved by the reluctance of businesses actors not to formally register their business to the government due to the complicated bureaucracy and government levies (taxes) that give burden to the entrepreneurs in running their business. For example, Lindawati (2012) stated that until this day, a perception that tax is considered as a heavy burden is still going on, so it impacts on the emergence of tax avoidance, i.e. legal tax planning to minimize the amount of tax liability or tax evasion, through bribery by actors MSMEs and cooperatives to the competent authorities for the purpose of negotiating that is not explicitly regulated in the Law of Taxation or by manipulating proof of payment (transaction).

Furthermore, it is proved that the aspects of individual's ability (as an internal aspect) of the MSMEs actors have a positive association with the performance of MSMEs and Cooperatives. Table 4 shows that the higher the ability of individuals (businesses actors) in operating their business, the higher the performance of MSMEs and Cooperatives. This implies that the potential of MSMEs and cooperatives to cultivate new businesses is very large, for example, with the establishment of outlets or branches outside the city as well as in other areas. Thus, the potential in the utilization of economic resources and human resources is very large considering the characteristics of MSMEs and cooperatives are still modest, meaning that MSMEs and Cooperatives play a major role in employment. So, in this case, the government's attention to be more intensive in coaching and mentoring SMEs and cooperatives is very important.

The implication of other internal aspect is the flexibility to the change of the environment or market conditions. This means that actually MSMEs and Cooperatives are less influenced by business rivalry, because MSMEs and Cooperatives in general have their own uniqueness. In addition, the weakness or problems faced especially by the micro enterprises are the management of financial recording system (accounting system) which is inadequate so that there is lack of access to capital to banks because the financial position and the amount of cash flow and the earnings are unknown.

The exploration and verbal information as a basis for the acquisition of qualitative data about the factors
that affect the formation and sustainability of MSMEs and Cooperatives contain constraints, i.e. the presence of the resistance of the respondents reflected in the disclosed content. Some respondents attempted to reveal that diverting content which is not according to the questions asked. So the suggestion to overcome this matter, the researcher still recorded the information produced and conducted interviews with other respondents with the aim to obtain more information and a comparison of the various information obtained. Besides, so far, the sampling method using purposive sampling is less reducing the bias that occurs in Sampling. This is because the method of purposive sampling is a method that takes a sample not in random. This is because the instrument (questionnaire) that can be processed is assumed to be limited so that it is impossible conduct purposive random sampling. Therefore, the researcher suggest for further study to expand the study area so as to provide a larger population, so that the purposive random sampling method can provide a high objectivity by using verbal data more effectively.

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