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## **Social Capital, Leadership and Compensation against Entrepreneurial Behavior**

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Abdul Rahmat<sup>1</sup>

***Abstract:***

*This research was conducted on the coastal communities in the Gorontalo Province, Dumbo Raya of Gorontalo Indonesia. The method used in this research is a causal survey using a path analysis model. The research population consisted of 330 people. The sample for this research was taken from the population and comprised of 66 people, who proportionally represent the whole population. The analysis of the data and the research variables were obtained through descriptive analysis and making inferences. The results showed: 1) there is a positive and direct influence of social capital of coastal communities on entrepreneurial behavior; (2) there is a positive and direct influence of leadership of coastal communities on entrepreneurial behavior; (3) there is a positive and direct influence of compensation of coastal communities on entrepreneurial behavior (4) there is a positive and direct influence of motivation of coastal communities on entrepreneurial behavior; (5) there is a positive and direct influence of social capital of leadership on motivation; (6) there is a positive and direct influence of compensation on achievement motivation; and (7) there is a positive and direct influence of leadership on achievement motivation.*

*Keywords: social capital, leadership, compensation, motivation, entrepreneurial behavior*

***Article type:*** Research study.

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<sup>1</sup> Gorontalo State University, email [abdulrahmat@ung.ac.id](mailto:abdulrahmat@ung.ac.id)

## **1. Introduction**

The dynamics of change and development always bring aspirations and new demands from the community to achieve a better quality of life. The aspirations and demands of the society are based on the desire for more participation in the community that is developing, independently and based on justice. The effort to empower the community is a concern manifested through partnership and togetherness of different parties. In this context, community empowerment is a process of change toward independence. Various theories of development place the community in the center of attention. In other words, the community is not only an object, but also the subject of development. This view appears as a response to the gap along with the economic growth that continues to increase.

Gorontalo city is one of the regions in Gorontalo Province and its position is very important, being in the axis of economic growth between the two integrated economic areas of Batui and Manado-Bitung. This strategic location acts as a transit area for all commodities. The function and the role of the seawater port became very vital in the framework of trade in the Gulf Tomini, so that the city of Gorontalo serves as the passage way for the flow of goods and people in the area of West North Sulawesi, including Tomini Bay and the surrounding area. Many commodities, such as corn, rattan, sea products and damar are sent via the port, either for regional trade or for export to foreign countries.

The commodities come mostly from forest products and agriculture in the regency of Gorontalo and Boalemo. It is very busy for transshipments which indicates how the port can become the backbone of traffic of incoming and outgoing goods between Gorontalo Province and Central Sulawesi. High mobility of goods in the commercial sector dominates the economic activities of Gorontalo. In Gorontalo City itself, the leading products are in the form of rattan and rattan chairs. These commodities are especially exported to the United States. Gorontalo city lacks natural resources. Although located in the coastal area, the fishery sector is not being handled optimally. To continue to promote the economy, some facilities need to be repaired, mainly the seaport which has become a vital means of economic activity.

The above elements increase the importance of first, the process of empowering people should stressed on the process of giving or diverting some power, strength and ability to the community so that the individual becomes less helpless. This process can also be equipped with efforts to build material assets in order to support the development of the independence of the community through organization. Second, the process of empowering people should stimulate, encourage or motivate individuals to have the ability or the empowerment to make their own choices in life. Along with the above, people see strength as the main source of the empowerment in the social, political and psychological context. Social forces should give access to the basic structures in society, namely, information, knowledge and skills, participation in social organizations and financial resources. When the economic

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activity of the society increased access to these basic concepts, the ability to determine and achieve the aim also increases. Increased social forces can be understood as an increasing community access to the basics of their productive wealth (Bhal and Dadhich, 2017).

The entrepreneurial behavior that became a role model in coastal communities, has not yet been fully shown due to low motivation. This was caused by the lack of stimuli, which can result in lack of responsibility. Entrepreneurship according to Luanglath (2014) is the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychological and social risks and resulting in receiving monetary rewards and personal satisfaction.

Positive attitudes have positive implications in the behavior of a person which will ultimately benefit them at work. The performance of the individual is the foundation of the performance of the organization. Therefore, according to Ivancevich and Konopaske (2016) to create an effective management, understanding the behavior of the individual is very important. An entrepreneur will adjust his behavior in accordance with the expectations of other people about how they think they should behave, so that they are trusted and appreciated. This is in line with the opinion of Mark (2013) who argues that one may adjust his own behaviour in the light of his expectations about how others will behave. Bygrave (1994) states that an entrepreneur is one who perceives an opportunity and creates an organization to pursue it.

The entrepreneurial spirit is when individuals that are oriented to an action take a risk in pursuing a purpose. According to Suryanto and Thalassinos (2017), the characteristics and qualities of entrepreneurship include confidence, oriented towards tasks and results, risk takers, leadership, originality, and future orientation. While the characteristics of an entrepreneur are strong beliefs, independence, individuality, optimism, need for achievement, determination and hard work, energy, initiatives, the ability to take risks, ready to take a challenge, behave as a leader, can interact with others, make suggestions, able to take criticism, innovative, creative, flexible, having many alternative resources, wanting to know many views and perspectives (Djafri & Rahmat, 2017).

Social capital can be considered as the capabilities that arise from a common belief in a society or certain parts of the community. Moreover, this concept is also defined as a set of informal values or norms shared among members of a group that allows the establishment of cooperation (Castetter, 1996). Social capital is the ability of the community to work together to achieve common goals in various groups. A number of irregularities and failures happen because of cultural factors and have a self-interest into something given (Schein, 2005). According to Burt (2012), social capital is the ability of people to associate to one another and then become a very

important force, not only for the economic life but also for every other aspect of social existence.

According to Flippo (2014), he defines social capital as the relationships created and norms that shape the quality and quantity of social relations in a broad spectrum, namely the social glue that holds together the group members collectively. According to Gomes (2013) social capital is a set of values or norms embodied in behaviors that can promote the ability and capability to cooperate and coordinate to make a major contribution to the sustainability of productivity.

According to Rahmat (2017), social capital is as every relationship that is going on and bound by a trust, the interrelatedness of understanding, and shared values that bind members of the group to create the possibility of joint action which can be done efficiently and effectively. According to Hakimi *et al.* (2017), social capital is everything that matters relating to cooperation in the community or nation to reach the capacity of a better life, underpinned by the values and norms that become the main elements including trust (mutual trust), reversal, the rules of the collective group in a community or nation, and the like. This is in line with what Bergeron *et al.* (2014) proposed.

**Figure 1.** *Trust is an essential component of social capital*



According to Catwell (2016), leadership is defined as the behavior of the individual that influences a new structure in a social system by changing the purpose of, configuration, procedures, process input and output a system. According to Robbins (2008), leadership is the ability to influence a group to achieve a vision or a series of specified goals.

Yukl (2010) states that (1) leadership is the behavior of the individual who directs the group activities to reach the target, (2) leadership is additional influence over and above the mechanical needs in directing the organization on a regular basis, and (3) leadership is carried out when someone is mobilizing institutional resources, politically and psychologically to motivate his followers.

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According to Stoner *et al.* (1996) researchers who observed the function of leadership arrived at the conclusion that, in order to operate effectively, a group requires a person to perform two main functions, namely: (1) the functions associated with the task or solving the problem and (2) the function of keeping the group socialized.

The two styles of the function of the leadership tend to be expressed in two leadership styles that are oriented leadership style and task-oriented leadership style. Rahmat (2016) put forward the first theories that describe the factors that affect thought manager options (principal) with leadership style. They suggest that a manager looks at three kinds of power, namely power in the hands of the leader, power in the hands of the employees, and power in the situation. According to Stein *et al.* (2017) compensation is a reward for services provided by the company to its employees that can be evaluated in money. Compensation or reward includes wages, salaries, incentives, commission, etc., that binds employees so that they are willing and happy to work.

According to Davis and Werther (1996) compensation is what the United States gives to employees in exchange of their work. The personnel department usually designs and administers employees' pays, so this meant that compensation is what is accepted by the workers or employees who received money as a reward for the work that they give to the organization. This compensation is given periodically or based on wages per hour. Blenker *et al.* (2016) explain compensation as the adequate and equitable remuneration of personnel for their contribution to organizational objectives. In this case, wages are interpreted as being fair and worthy of the service given by the workers or officers towards the achievement of the goal of the organization.

According to Naor *et al.* (2008) compensation is a gift to employees in the form of financial payment for services conducted and as a motivator for the implementation of the activities within the company. Compensation is also important for the organization, because the payments to employees in the form of income and in reply to other services often use cost components.

According to Hasibuan (2008) compensation is all the income in the form of money, or goods, directly or indirectly received by the employees in return for services provided to the company. According to Simamora (2004) that compensation includes financial rewards and benefits received by employees as part of the relationship between them and the company. Compensation is what is received by the employees in return for their contribution to the organization.

This ties closely with the term motivation, which is derived from the words motive, push, reason and driving force. According to Daft (1995), the motive is the driving force that encourages people to act or an energy in the people that causes them to act.

Understanding motivation as the concept of management in relation to the life of the organization and leadership is crucial. It can be defined as work motivation that arises in the individual to behave in such a way as to achieve goals that have been determined by the company. This is supported by Liu and Lee (2017), where they characterise motive as a condition in the individual (inner state) which encourages, enables or moves and directs or transmits the behavior toward the destination. They also define the motivation as a general term/concept which involves the entire class of encouragement, desire, need and power in a similar opinion put forward by Gibson *et al.* (1997) who define motivation as all encouragement from within oneself to work from desire and passion.

## 2. Research Methodology

This research was conducted on the coastal communities in Gorontalo Province. Dumbo Raya of Gorontalo City has various developed tribes and a culture and the capital of Gorontalo has the potential to become a very strong economic center and can also become a barometer of measuring the development of economic growth in the future. This is complemented with the potential for produce from the sea.

The Fishery and Marine sector is a leading sector that has long coastal lines. The north and south coastlines have a length of around 270 kilometers and 320 kilometers respectively. There are three water sections, namely, Tomini Bay (Gorontalo Bay), Sulawesi Sea and Exclusive Economic Zone Sulawesi Sea. Unfortunately, these areas are not being utilized to their full potential, producing only 24,05% or 19.771 tons per year.

The method used in this research is a causal survey with path analysis model proposed by Arikunto (2010). The research population includes everyone related to entrepreneurial behavior, namely 330 people. This research has taken a sample which proportionally can represent the population (Sugiyono, 2012). The sample of this research consisted of 66 people. Analysis of the data was conducted through a descriptive analysis and by making inferences to measure the research variables (Wang and Ahmed, 2013).

## 3. Results

A summary of the test results can be seen in the following Table 1.

**Table 1.** Summary Results of calculation and testing path coefficients

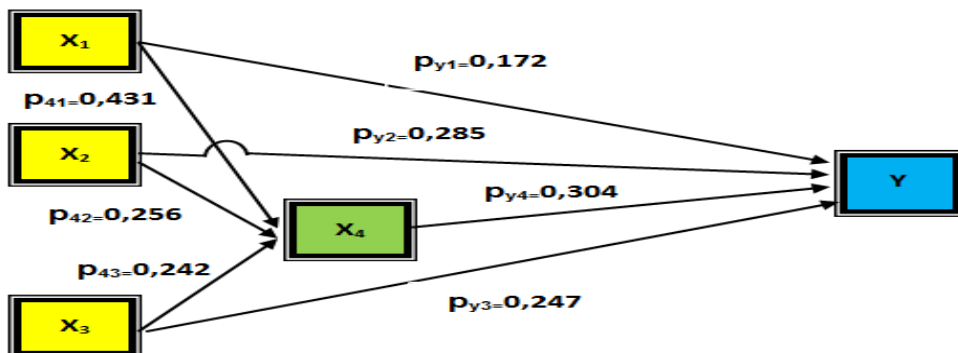
path coefficient		$F_{count}$	$F_{table}$	significance
$p_{y1}$	0,172	1,703	1,67	Significant
$p_{y2}$	0,285	2,935	1,67	Significant
$p_{y3}$	0,247	2,913	1,67	Significant
$p_{y4}$	0,304	3,572	1,67	Significant

p <sub>41</sub>	0,431	3,082	1,67	Significant
p <sub>42</sub>	0,256	1,815	1,67	Significant
p <sub>43</sub>	0,242	1,977	1,67	Significant

Table 1 above shows that the path coefficients between social capital with entrepreneurial behavior of coastal communities ( $p_{y1}$ ) produced a value of  $t_{count} = 1,70 > t_{table} = 1,67$  at  $\alpha = 0.05$ . Therefore, it can be concluded that the coefficient is significant. As for the path coefficients for leadership with entrepreneurial behavior ( $p_{y2}$ ) produced a value of  $t_{count} = 2,94 > t_{table} = 1,67$  at  $\alpha = 0.05$ . It can be concluded that the coefficient is significant. The compensation path coefficient with entrepreneurial behavior ( $p_{y3}$ ) produced a value of  $t_{count} = 2,91 > t_{table} = 1,67$  at  $\alpha = 0.05$  and it can be concluded that the coefficient is significant. For the coefficients that tracks work motivation and entrepreneurial behavior ( $p_{y4}$ ) this got a value of  $t_{count} = 3,57 > t_{table} = 1,67$  at  $\alpha = 0.05$ . Thus, it can be concluded that the coefficient is significant.

Based on the above Table, the path coefficients between social capital and work motivation ( $p_{41}$ ) has a value of  $t_{count} = 3,08 > t_{table} = 1,67$  at  $\alpha = 0.05$ , so it can be concluded that the coefficient is significant. As for the coefficient path between leadership and motivation ( $p_{42}$ ) shows a value of  $t_{count} = 1,82 > t_{table} = 1,67$  at  $\alpha = 0.05$ , thus it can be concluded that the coefficient is significant. For the path coefficient of compensation and employee motivation ( $p_{43}$ ) the value is of  $t_{count} = 2,00 > t_{table} = 1,67$  at  $\alpha = 0.05$  and therefore it can be concluded that the coefficient is significant. Furthermore, the above calculation is described with the following path diagram as shown in Figure 2.

*Figure 2. Model causal relationships between the research variables*



#### 4. Discussion

Based on the analysis of data that has been described above, the findings of this study can be explained in so far as a direct positive influence on work motivation of social capital based on a significant path coefficient  $p_{41} = 0.431$ . There is a direct

positive effect of social capital and increased entrepreneurial behavior shown by the path coefficient which is significant, namely  $p_{y1} = 0.172$ , suggesting that social capital contributes to increase entrepreneurial behavior. The testing of the second hypothesis indicates that social capital has a direct positive effect on the improvement of entrepreneurial behavior and indirectly through work motivation. Leadership influence on work motivation was significant.

This is indicated by the  $t_{count}$ ,  $t_{table}$ , for testing the significance of the path coefficients  $p_{42} = 0.256$ , so it can be interpreted that leadership does influence work motivation. Compensation is a form of direct reward to individual achievement that would cause a person to maintain his behavior. In this study, compensation provides a major influence on the increased entrepreneurial behavior of officials. Compensation should not only be in the form of finance but also in non-financial forms. Based on the testing matrix coefficients obtained, there is an influence of work motivation on entrepreneurship officials which is significant at  $p_{y3} = 0.168$ , which means that motivation has a positive direct influence on the entrepreneurial behavior of coastal communities.

Work motivation of coastal communities will move and steer the attitudes and behaviors of the people to carry out various activities in achieving a goal. Therefore, someone who has high motivation will have good entrepreneurial behavior in the face of the tasks of his profession. So it is understandable that motivation of coastal communities will directly influence entrepreneurial behavior.

## **5. Conclusion**

The working culture will directly increase the entrepreneurial behavior of coastal communities. So there is also a positive direct influence of leadership on compensation, motivation and achievement and entrepreneurial behavior. The results of this study show that if all of the above factors are owned by leadership, then there will be better entrepreneurial behavior. The path coefficient test obtained for the influence of motivation and achievement on the entrepreneurial behavior indicates a value of  $p_{y4} = 0,168$  which is significant, which means that motivation and achievement positively and directly influence entrepreneurial behavior.

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