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Entrepreneurial Orientation and Firm Performance on Private Daycare in Indonesia: A Conceptual Paper

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Abstract
This paper aims to develop a conceptual model of the nexus of entrepreneurial orientation and firm performance in private daycare in Indonesia. This paper develops a conceptual model to look at the performance of daycare businesses in Indonesia based on a literature review by integrating relevant theories and logical reasoning. Based on the conceptual model, improving the performance of daycare business can be accomplished by the influence of the dimensions of entrepreneurial orientation in providing practical implications in the daycare business. This paper expands the literature on entrepreneurial orientation related to performance particularly in private daycare. It integrates entrepreneurial orientation with business performance.

Keywords: Daycare, Entrepreneurial Orientation, Performance, Indonesia

Introduction
In Indonesia, an early childhood education program is a program that facilitates and develops children optimally and carefully according to the adopted norms and values of life (KemenPPPA, 2021). Through well-designed educational programs, children will be able to develop the physical development, intelligence, socio-emotional, language, communication, and developmental stages that early childhood goes through (KemenPPPA, 2019, 2020). In line with Law No. 20 of 2003 concerning the National Education System (Sistem Pendidikan Nasional, 2003), the state must provide early education services to every citizen. The golden generation is difficult, great, and committed to continuing Indonesian culture, and the noble ideals of the country can be provided with education. Education is certainly not only in the form of science and skills but also a character in shaping positive behavior. There are also various types of early childhood education programs. As is commonly known is the early education of children through formal education and non-formal education. One example of formal education for early childhood is daycare. Informal education in early childhood is a Collection of Games, Daily Guards, and an Early Education of Children (KemenPPPA, 2021).

In addition to education, the growth and development of the child are the things that the family must consider. However, as time goes on, the fulfillment of family needs is getting
higher. Needs in the family require parents to work. Even mothers who have early childhood are not the few who work to fulfill the needs of their family.

Due to the increased inclusion of mothers in labor in Indonesia, the demand for daycare has also increased. In addition, the stage of women’s education in Indonesia has also increased (BPS, 2022b), as in Table 1.1. As indicated by BPS (2021), the rate of inclusion of women in the labor force denoted an increase, from 49.3 million in 2019 to 51.7 million in 2021. The highest participation rate of the age group in the labor force is approximately 25 and 54 years old, which accounts for 74.03% of the total workforce population (BPS, 2021). Furthermore, given the growing per capita income of parents (BPS, 2022a), they can afford their children’s education. Therefore, this increase in per capita income indirectly increases the demand for daycare services (KemenPPPA, 2020).

Table 1.1

<table>
<thead>
<tr>
<th>Location</th>
<th>Sex</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Town</td>
<td>Man</td>
<td>11.86</td>
<td>12.05</td>
<td>12.48</td>
<td>12.35</td>
<td>12.56</td>
</tr>
<tr>
<td></td>
<td>Woman</td>
<td>11.74</td>
<td>12.35</td>
<td>12.95</td>
<td>13.24</td>
<td>13.51</td>
</tr>
<tr>
<td>Village</td>
<td>Man</td>
<td>3.61</td>
<td>4.16</td>
<td>4.34</td>
<td>4.75</td>
<td>4.76</td>
</tr>
<tr>
<td></td>
<td>Woman</td>
<td>4.25</td>
<td>4.82</td>
<td>5.22</td>
<td>5.66</td>
<td>5.57</td>
</tr>
</tbody>
</table>

Source: (BPS, 2022b)

Indonesia is heading towards becoming a middle-income country by 2021 (World Bank, 2021), and family income also increased. Early childhood education is ultimately emphasized, resulting in an increase of the enrollment in daycare centers. In 2021, around 2,812 daycare centers, with 37 public and 2,775 private components, were registered with the Ministry of Education and Culture (Kemendikbud, 2021).

Another factor is the high maternal birth participation rate, in which its occurrence is resulted from the cost of living that rises in addition to the high rate of inflation in Indonesia (BPS, 2021b). Most of parents, those who reside in urban areas in particular, merely need to get a job and work so that the life of their family can be supported. The high cost of living demands that the husband-and-wife work, as the wife cannot rely on her husband alone to earn a living to support their daily life. Given that additional income is important for household expenses, parents recognize that sending a child to a care center will be more productive and economical (Iram & Butt, 2004; Mardiah & Yoserizal, 2019; Monika, 2014). As a result, parents will rely on daycare centers as a solution, which leads to increased demand for daycare centers in Indonesia. There are 2,775 private daycare centers in Indonesia (Kemendikbud, 2021). 23.6 million children aged 0-4 years (BPS, 2019) have opened up business opportunities for daycare centers, especially in major cities in Indonesia. This situation, however, resulted problems in the parenting field used by grandmothers, relatives, or caregivers have a different type of care than expected (Sonia & Apsari, 2020). Applied parenting styles tend only to keep children from crying, so children are given gadgets and watch television more often than doing activities that can stimulate the growth and development of the child.

In daycare businesses, self-employed professionals or entrepreneurs’ opportunities are provided, aiming at starting new business (Eckhardt & Egert, 2020). Setting up a daycare business is not complex since high start-up costs are not required. Additionally, there is no difficulty to undertake its procedures (Arbar & Hasibuan, 2020; Kemendikbud, 2015). Some
daycare owners will start their businesses on a smaller scale, running their businesses in the comfort of their homes. That will allow them to generate a comfortable income while enabling them to carry out their work or look after their children themselves. The relative growth in daycare in Indonesia increased from 2017-2020 (Kemendikbud, 2021).

Albeit setting up a daycare business is not complex, yet the different exist for the development of this institution with other business. The daycare business provides services for children (Kemendikbud, 2015; Sari, 2019), while other businesses may provide services for adults or products to purchase. Furthermore, a daycare business may differ from other types of businesses in its level of entrepreneurial orientation (Chun, 2021) depending on factors such as the level of competition in the market, the regulations and licensing requirements that need to be met, and the target customer base. For example, a daycare business operating in a highly regulated and competitive market may have a lower level of entrepreneurial orientation compared to a business in a less regulated and less competitive market. Additionally, daycare businesses may have a higher focus on compliance, safety, and customer satisfaction (Damaiyanti & Mases, 2019; Miranti et al., 2021; Purnamasari & Na’imah, 2020) which may influence the level of entrepreneurial orientation. Such differences demand this study to examine entrepreneurial orientation and firm performance on private daycare.

For the case of Indonesia, the increasing amount of data on private daycare participants, is in line with the the profitability of private daycare from 2020 to 2021 has increased on average quite impressively. The Figure 1.1 makes clear that this business is quite profitable for entrepreneurs. Obviously, sufficient entrepreneurial aspects and business strategies are needed to improve business performance in the following year.

Figure 1.1 Increased profitability of private daycare places
Note: *Purata Tahunan = Yearly Average*
several studies in early childhood education conducted to understand quality standards 
(Eckhardt & Egert, 2020) and the type of physical environment required in daycare centers 
(Acar, 2014; Cortés Loyola et al., 2020) to develop children's cognitive, social and emotional 
well-being (Chan et al., 2021; Egert et al., 2018; Heikka et al., 2018). Besides, another research 
associated with the leadership of the nursery center has been undertaken (Heikka et al., 2018; 
Martin et al., 2020). Nevertheless, the relationship between entrepreneurial orientation and 
the success of daycare center business has not been explored. Considering, the problems in 
the parenting field used by grandmothers, relatives, or caregivers have a different type of 
care than expected and profit growth of daycare care demand for firm performance on 
private daycare in Indonesia to be studied. Therefore, this paper aims at critically discussing 
or identifying the variables to be considered in measuring the business performance of 
daycare centres in Indonesia. 

This study will provide contribution to the daycare business in Indonesia. These findings 
will assist daycare center owners in understanding how entrepreneurial orientation 
dimension contribute to the success of their daycare center business. 

The paper is organised as follows. Following this introduction, the second section 
provides literature review related to proposition development. The third section describes 
conclusion and it summarizes the key points articulated in this paper. 

Literature Review

Private Daycare in Indonesia

In Indonesia, private daycare or daycare centers are one of the options for people who 
work and have children who are too young to be left alone at home (KemenPPPA, 2019; 
Marini, 2019). Daycare centers usually provide play, study, and lunch facilities for children 
deposited there (Sari, 2019; Zuliatirrobi’ah, 2021). Daycare centers are usually managed by 
private individuals or organizations and are not linked to the government (KemenPPPA, 2020). 
Daycare centers in Indonesia usually have to meet special requirements from the government 
(KemenPPPA, 2021), such as having a license and meeting strict safety and health standards. 
In addition, daycare centers must also usually have trained staff and experience caring for 

The business model of private daycare in Indonesia depends on the scale of the business 
and the target market it is aiming for. Some daycare centers may provide daily daycare 
services, while others may provide weekly or monthly daycare services (Marini, 2019; Sari, 
2019). Daycare centers can also offer additional services such as music or sports classes or 
pick-up and drop-off services for children to and from school (Hamer et al., 2020; 
Zuliatirrobi’ah, 2021). The cost of daycare center services is usually determined based on the 
number of hours or days the child is deposited there (Arbar & Hasibuan, 2020), with higher 
rates for additional services. Daycare centers can also generate revenue by marketing 
children’s products like books, toys, or clothing. 

Entrepreneurship is significant for this business because it helps daycare managers 
develop new and innovative ideas to improve the services provided to consumers (Arbar & 
Hasibuan, 2020) make informed business decisions, and manage existing risks. 
Entrepreneurial orientation also helps daycare managers take personal responsibility for their 
business’s sustainability and ensure that the daycare always meets high-quality standards. A 
solid entrepreneurial orientation can help daycare managers create a thriving business.
Innovative and Business Performance

Innovation is perceived as an activity within the control of a company, enabling management to control it or to make manipulation (Prajogo, 2016). Additionally, its involvement is associated with experiments and processes that will possibly result in creativities which vastly take part in producing new products and services, including technological processes (Dhliwayo, 2014). In the context of SMEs, entrepreneurs must develop innovative strategies for developing their services and products to attract many customers, gain a competitive advantage, and survive business competition (Agyapong et al., 2018; Felix, 2021). Innovation serves as a crucial component in terms of the entrepreneurship definition (Shane & Venkataraman, 2000). Innovations in producing more attractive products or services in terms of features and prices will make SMEs maintain their business and even gain more customers (Canh et al., 2019; Darwanto, 2013; Trisnawati, 2016). The entrepreneurial organization will always practice innovation daily (Kropp et al., 2008). In addition, for a company that is innovative and creative in overcoming its competitors, the innovation is expectedly able to emerge as one of predominant factors that have a possibility to affect the company's performance (Covin & Miller, 2014).

The relationship between innovative attitudes and business achievements has been widely studied in the context of SMEs (Afriyie et al., 2019; Chaithanapat et al., 2022; Nguyen et al., 2018) with positive and significant results. In the context of SMEs in Indonesia, innovative attitudes and business performance have also been investigated (Kharisma et al., 2020; Susdiani, 2020). However, specific research for small businesses such as daycares has yet to be studied.

In the context of small businesses in Indonesia, foster care centers have standards that business actors must meet according to government regulations (Standar Nasional Pendidikan Anak Usia Dini, 2014). In order to compete with other up brooms, one must not only adhere to the relevant rules, but also pay attention to learning innovations (Purnamasari & Na’imah, 2020; Purwandari & Fauzi, 2022) adaptation of new styles in parenting (Wulandari & Anggraini, 2020), a unique program offered to parents (Hoerniasih, 2017), and other services that attract the attention of parents to leave their child. Investigations related to the relationship between innovation and the growth of the daycare business in Indonesia have not been studied empirically.

In the daycare business, an innovative attitude is essential because it can help daycare managers develop new and innovative ideas to improve the services provided to consumers. For example, by having an innovative attitude, daycare managers can try new teaching methods, develop new programs that appeal to children or try new technologies to help children's learning. Thus, an innovative attitude can help improve the performance of the daycare business because it can make the daycare more attractive to consumers and help increase consumer satisfaction.

Risk-Taking and Business Performance

Risk-taking is explained as as the level at which the willingness of the managers in generating vast and risky commitments, possibly having a reasonable chance of costly failure (Covin & Miller, 2014; de Clercq et al., 2013). Risk acceptance is an entrepreneur's characteristic (Kozubíková et al., 2017) because an entrepreneur will see the situation as an opportunity albeit knowing that others perceive it as a risk. Accordingly, in numerous cases, entrepreneurs are urged to risk a possibility in terms of making mistakes, and they are compelled to cause a detrimental failure although they have done their best to make
attempts and sacrifice their time or money without attaining significant results (Shane & Venkataraman, 2000).

In the company’s viewpoint, it is necessary for a company to invest a certain number of resources in the activities of the business they run; in the meantime, they do not know about the further results. After operating costs are incurred, the company is likely to encounter failure, and its opportunity will probably be gone (Herath & Mahmood, 2014). The emergence of this risk, nonetheless, is still needed. The underlying reason of this situation is that if the occurrence of the risk does not exist, the opportunity that the company owns in taking advantage of the market will never be attained (Hughes & Morgan, 2007).

Additionally, an opportunity that a company owns in terms of developing new products and effective strategies in a dynamic market will no longer exist if the risks are not taken (Chen et al., 2012; Fern et al., 2012; Madhok & Marques, 2014). For that reason, risk-taking is eventually organized by the researchers so that the company’s competitive performance can be ensured (Hughes & Morgan, 2007). In short, risk-taking has a positive relationship with business performance.

In the daycare business, daring to take risks is essential because it can help daycare managers develop their businesses. For example, by having a risk-taking attitude, daycare managers can try to offer new services or develop new programs that may not have been tried before. A risk-taking attitude can also help daycare managers manage existing risks and make the right business decisions. Thus, a risk-taking attitude can help improve the performance of the daycare business because it can help the daycare grow and develop.

**Pro-Active and Business Performance**

Proactive companies are trying to be the pioneers in the market, in which it is undertaken to grab the emerging opportunities (Wiklund & Shepherd, 2005). Proactive companies always attempt or do their best to seek opportunities and look ahead. Besides, they commonly introduce new products or services ahead of their rivals (Davidsson, 2015). Hence, anticipation related to alterations and needs in the market can be carried out by proactive companies, and they will probably attain a competitive advantage which subsequently gives contributions to the success of the companies (Dhliwayo, 2014).

Previous researchers have proven that activation positively affects organizational performance (Diaz & Sensini, 2020; Fadda, 2018; Sutejo, 2016; Wong, 2014). In other studies, Pro-activity positively affects the company’s performance (Pérez-Luño et al., 2011).

A proactive attitude in the daycare business is essential because it can help daycare managers manage and develop their businesses. For example, by having a proactive attitude, daycare managers can take the initiative to look for new opportunities, solve problems, or take the necessary actions to improve the services provided to consumers. A proactive attitude can also help daycare managers manage their business effectively and achieve the goals set. Thus, a proactive attitude can help improve the performance of the daycare business because it can help the daycare grow and develop.

**Autonomy and Business Performance**

Entrepreneurial research pointed out that autonomy is linked to the way how ventures demonstrate what they perform in terms of learning how performance-enhancing opportunities can be explored and exploited, in which it is escorted with a focus concentrating on long-term explorations having a higher positive impact on the performance (Wilson, 2018). Accordingly, it is no wonder that the benefits gained by the firms are derived from adopting
an effective entrepreneurial orientation, including autonomy, particularly in an effective way (Kosa et al., 2018). As argued by Wang (2008), entrepreneurial orientation has a prominent role in business performance if it is perceived generally. Additionally, Loos & Coulthard (2005) asserted that autonomy positively affected performance. Hence, it is expected that autonomy is substantially able to generate higher performance (Langfred & Moye, 2004). Conversely, individual responsibility commonly declines if it is found that interdependence is high (Stewart & Barrick, 2000). Generally, empirical opinions and evidence attained from the research have drawn a conclusion, demonstrating that the firm’s positive performance is improved by autonomy (Omisakin et al., 2016; Tufa et al., 2021).

In the daycare business, autonomy is essential because it can help daycare managers manage and develop their businesses effectively. For example, by having sufficient autonomy, daycare managers can make the necessary decisions to manage their business, solve problems, or develop new ideas to improve consumer services. Autonomy also assists daycare managers in taking personal responsibility for the sustainability of their business and ensuring that the daycare always meets high-quality standards. Thus, autonomy can help improve the performance of the daycare business because it can help the daycare grow and develop.

**Competitive Aggressiveness and Business Performance**

Competitive aggressiveness is explained as an inclination in which competitors are directly and vigorously challenged by a firm to enter the market, or another challenge given to those competitors is that they have to be capable of improving the position. In other words, it is solely about outperforming competitors in the marketplace (Lumpkin & Dess, 1996). The responses given by the competing firms that are considered aggressive to such challenges are shown through face-to-face confrontations (Shan et al., 2016). Some of the past investigators conveyed their report by mentioning that there was a finding indicating that competitive aggressiveness positively and significantly has a relationship with business performance (Al Mamun & Fazal, 2018; Fadda, 2018; Omisakin et al., 2016; Tufa et al., 2021). Additionally, it was reported that competitive aggressiveness is capable of improving the firm’s performance (Lyon et al., 2000).

In the daycare business, aggressiveness in competing can help improve business performance if appropriately managed. For example, by having a highly competitive aggressiveness, daycare managers can focus more on improving the services provided to customers, solving problems at hand, or developing new ideas to improve the quality of their business. In addition, highly competitive aggressiveness can also motivate daycare managers to continue to try and work hard to achieve their business goals. However, keep in mind that competitive aggressiveness must be adequately managed so as not to cause daycare managers to commit unethical actions or harm others to achieve their business goals.

**Conclusion**

This paper develops a conceptual model to look at the performance of daycare businesses in Indonesia based on a literature review by integrating relevant theories (such as entrepreneurial orientation, psychological capital, and entrepreneurial strategy) and logical reasoning. Research hypotheses are given to stimulate follow-up research. Based on the conceptual model, improving the performance of daycare business can be accomplished by the influence of the dimensions of entrepreneurial orientation, psychological capital, and entrepreneurial strategy. It is expected that empirical studies will be carried out to validate
the relationship and interrelationships between related concepts and constructs in providing practical implications in the daycare business.

A few theoretical contributions contribute to this research’s literature on entrepreneurial orientation. The study provides empirical evidence for theoretical relationships, as shown in the research framework. Specifically, it emphasizes the moderating role of psychological capital and the mediating role of entrepreneurial strategy between entrepreneurial orientation and business performance of private daycare in Indonesia.

Reference


